



**Non-Financial  
Disclosure  
at December  
31<sup>th</sup>, 2018**  
(pursuant to Decree  
254/2016)





**Non-Financial Disclosure**  
**at December 31<sup>th</sup>, 2018**  
(pursuant to Decree 254/2016)

# Index

<b>Message to the Readers</b>	<b>4</b>
<b>1. Amplifon's Non-Financial Disclosure</b>	<b>8</b>
1.1 Stakeholder engagement	9
1.2 Materiality analysis	15
1.3 Identification of non-financial risks	20
<b>2. Who we are</b>	<b>24</b>
2.1 Our Corporate Culture	24
2.2 Market scenario	25
2.3 Business model	26
2.4 Market presence and supply chain	29
2.5 Strategy	33
2.6 Governance	34
<b>3. Product &amp; Service Stewardship</b>	<b>40</b>
3.1 Product and service innovation, quality and customization	40
3.2 Product and service availability	45
3.3 Customer safety	46
3.4 Customer privacy and data protection	47

<b>4. People Empowerment</b>	<b>52</b>
4.1 Attraction and retention of key resources	52
4.2 Employee health and safety	64
<b>5. Community Impact</b>	<b>68</b>
5.1 Awareness and education	68
5.2 Contribution to community wellbeing	73
<b>6. Ethical Behavior</b>	<b>80</b>
6.1 The regulatory framework	80
6.2 Anti-corruption	83
6.3 Business ethic and fair competition	85
6.4 Energy efficiency and waste management	87
<b>Note on methodology</b>	<b>90</b>
<b>GRI Content index</b>	<b>94</b>
<b>Independent Auditor's Report on the Non-Financial Disclosure</b>	<b>103</b>

# Message to the Readers

---

Dear Reader,

We are delighted to share with you our consolidated Non-Financial Disclosure drafted in accordance with the Italian Legislative Decree 254/2016. This document represents not only the response to the Decree concerning the disclosure of non-financial and diversity information, but also Amplifon's Sustainability Report, through which we express our commitment to supporting the development of an even more sustainable business that responds to our stakeholders' needs, thus enhancing our main intangible assets and social impact.

2018 was an important year for our Company because, starting from an in-depth analysis of our business, we identified the areas of commitment for Amplifon in terms of sustainability and formalized them in our Sustainability Policy. Perfectly aligned with the values on which the Company's activities are founded, Product & Service Stewardship, People Empowerment, Community Impact and Ethical Behavior represent our four priority areas to contribute to the improvement of the quality of life of millions of people worldwide through the responsible management of our business.

As the global leader in hearing solutions and services, we strive to respond to each customers' needs by adopting state-of-the-art technologies, developing highly value-added services and ensuring the highest quality to deliver a unique and decidedly customized customer experience. With this in mind, in 2018 we successfully launched the Amplifon Product Experience in Italy, made up by our Amplifon-branded product line and our multichannel ecosystem, of which the innovative Amplifon APP is the first touchpoint, receiving an excellent response from consumers.

All the above is possible thanks to our people. They are the asset that makes our business tick and therefore we are constantly looking to inspire, invest in their growth and reward them. In 2018, we launched our Corporate Culture intended to make explicit and to internalize the principles that already united us as One Company. Moreover, we invested around 340,000 hours in training and developed a Digital Workplace, making new digital, smart and cloud-based working tools available to our people. Finally, we have rewarded our best talents as we strongly believe in sharing the value created by our Company with the people who make it possible.



Aware of our know-how and the contribution we can give to the community, we believe in the importance of sharing our experience to increase awareness of hearing health and maximize the positive impact of prevention. In 2018, we continued to invest in social initiatives, as well as in the research.

Finally, we are committed to comply with the highest standards in our way of operating and competing. In this sense, in 2018, we continued with the implementation of the Group Anti-corruption Policy approved in 2017. In addition, new steps in terms of responsibility towards the environment have been taken by improving the measurement of energy consumption and waste production, in order to better understand our environmental impacts.

This Disclosure, structured to reflect our performance in our four areas of commitment, allows us to raise our awareness of sustainability matters, laying the foundations for the future definition of a sustainability plan with medium and long-term targets aligned with our business strategy. We hope that you will continue to follow us on this important journey that makes us proud and that encourages us to do always better.

**Susan Carol Holland**

*Chairperson*

A handwritten signature in black ink, appearing to read 'Susan Carol Holland', written in a cursive style.

**Enrico Vita**

*Chief Executive Officer*

A handwritten signature in black ink, appearing to read 'Enrico Vita', written in a cursive style.









# 2018 SUSTAINABILITY HIGHLIGHTS

## **Product & Service Stewardship**

- Launch of Amplifon Product Experience in Italy, made up by the new Amplifon product line and multichannel ecosystem
- More than 85,000 customer satisfaction survey completed, with Net Promoter Score higher than 65
- Launch of new consumer websites even more engaging and user-friendly

## **People Empowerment**

- Around 340,000 training hours
- Adoption of new digital, smart and cloud-based working tools
- Launch of Corporate Culture through a global campaign carried out simultaneously in all Countries of operations

## **Community Impact**

- Several prevention and awareness activities in all regions in which the Company operates
- Scholarships of €7,000 each given to six ENTs in Italy and France
- More than 2,000 children and adults supported and over 4,000 hearing solutions donated in US through the Miracle-Ear Foundation

## **Ethical Behavior**

- Approval of the Sustainability Policy
- Local implementation of the Group Anti-corruption Policy in progress
- Improved measurement of energy consumption and waste management

# I. Amplifon's Non-Financial Disclosure

Amplifon's Non-Financial Disclosure represents the Company's response to the Italian Legislative Decree 254/2016 regarding the disclosure of non-financial information. From 2017, companies that fall within the scope of the Decree have been required to disclose information on environmental, social, anti-corruption and employee matters, as well as respect for human rights, considering also the impacts of their products, services, business relationships and, where necessary, of their supply chain. This Consolidated Non-Financial Disclosure (hereinafter "Sustainability Report"), that also coincides with the Sustainability Report of the Company, provides the opportunity to inform stakeholders on the progress made by Amplifon in its four areas of commitment in terms of sustainability. In addition to this, the Sustainability Report also aims to support the Company in the following areas:

- identifying opportunities and consolidating intangible assets to create long-term value;
- managing risks impacting present and future performance;
- enhancing the multi-stakeholder reputational capital;
- being able to make better informed decisions;
- engaging with socially responsible investors.

Compared with the previous years, this Report has a renewed structure to reflect Amplifon's four areas of commitment in terms of sustainability formalized in 2018 into the Company's Sustainability Policy: **Product & Service Stewardship, People Empowerment, Community Impact, Ethical Behavior**. Each non-financial topic identified as relevant by means of the materiality analysis has been matched with a specific area of action, so as to facilitate stakeholders' understanding of the progress made by Amplifon in each of the four areas, through the reading of the management model, the risks and results achieved with respect to each relevant subject, in compliance with the requirements of Italian Legislative Decree 254/2016.

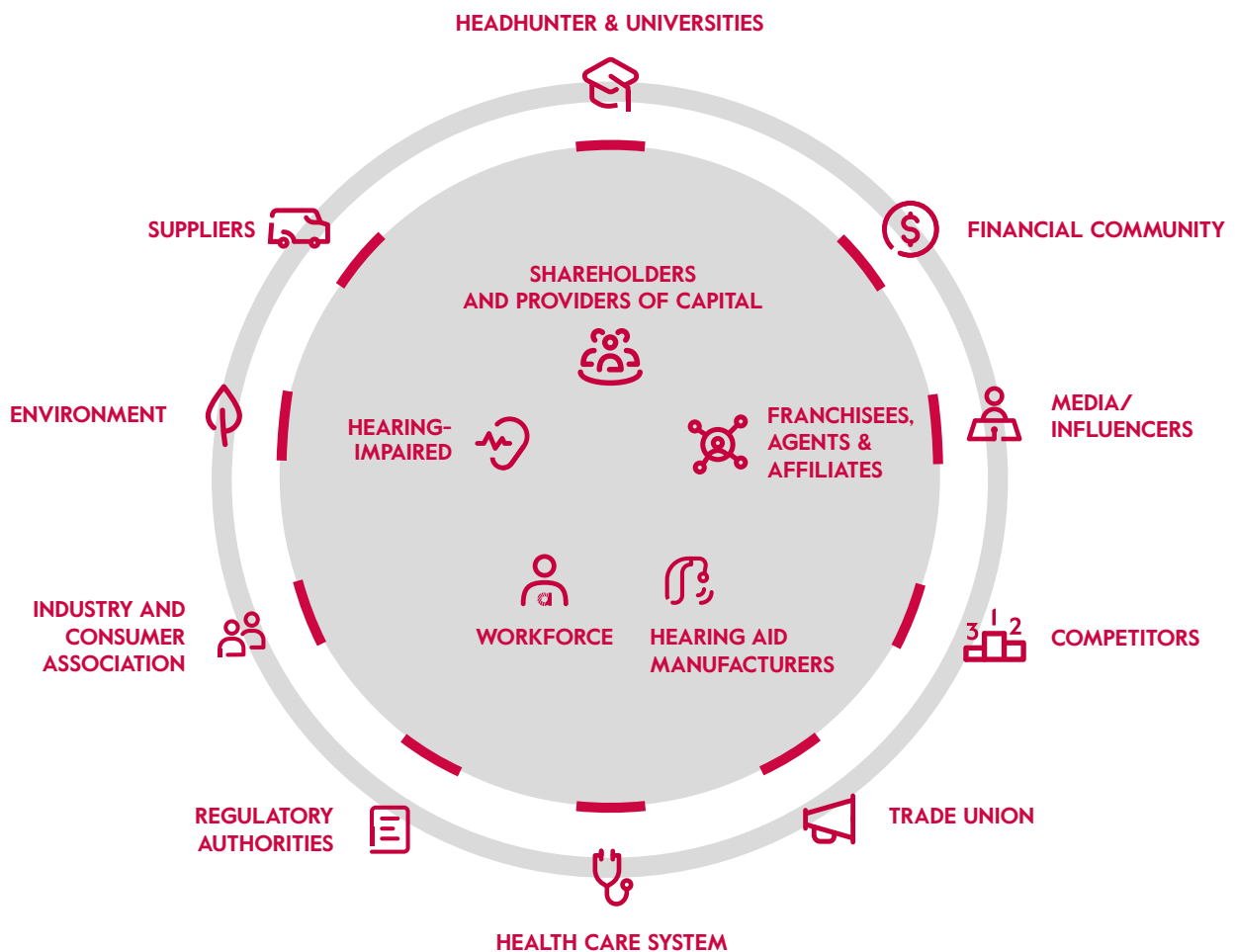
The Sustainability Policy has therefore allowed the assessment of activities already in place within the Company and which are closely linked to the core business, matching them to each area of commitment. This exercise not only facilitates external communication, but also allows the Company to increase its awareness of sustainability matters, laying the basis for the future definition of a sustainability plan with medium- and long-term objectives in line with its business strategy.

# 1.1 Stakeholder engagement

Amplifon operates in a dynamic international business environment, not only in terms of market trends but also in terms of expectations of its complex spectrum of stakeholders. Engagement with the Company’s various stakeholders, which is based on the values of honesty, transparency and open dialogue, enables Amplifon to pursue its objective of creating economic value for the Company and social value for its stakeholders. Amplifon constantly monitors the external environment, considers long-term, global trends and listens to its stakeholders’ requests as they are fundamental activities for any Company with a sustainability-oriented approach.

Considering the several new business activities put in place in 2018, some members of the top management joined in a brief workshop to better understand how the changes occurred during the year may have affected the set of stakeholders. Workshop participants were therefore called to classify the Company’s stakeholders according to their dependency and influence on Amplifon, drawing a new stakeholder map. The updated map saw the hearing-impaired community in the broadest sense confirmed as the most important stakeholders for Amplifon, along with Company workforce, shareholders and providers of capital, suppliers (with specific reference to hearing aid manufacturers) and the distribution network comprising franchisees, agents and affiliates.

## Amplifon’s main stakeholders



## Main engagement activities

Amplifon constantly seeks the active involvement of its stakeholders with a view to pursuing mutual learning, sharing and joint generation of solutions. The table below shows the main engagement activities carried out in 2018. The activities are explained according to the frequency with which stakeholders are engaged, engagement channels used, possible concerns raised and related Amplifon responses. Since stakeholder engagement occurs both at corporate and local level, the table includes the main activities undertaken by Corporate, as well as a representative example of practices adopted by the Countries for each group of stakeholders. In addition to these activities, for the first time ever, in 2018 Amplifon involved some stakeholders in a sustainability survey, aiming at integrating their expectations with regards to Amplifon in this area (for more details, please refer to the “Materiality Analysis” section).

Stakeholder	Corporate/Country practice	Frequency of stakeholder engagement	Type of engagement activity
Hearing impaired	Corporate	Annual	Quantitative and qualitative market researches (run through focus group, one-on-one, online and by phone interviews) and usability tests
Workforce	Corporate	Ongoing	Multi-functional meetings, annual Functional Global Meetings, feedback sharing, performance management and reward processes, Engagement Survey, area meetings and store visits, Charles Holland Award
	Country practice: USA	Annual	Employee Annual Review Program, Engagement Survey
Franchisees, agents and affiliates <sup>(1)</sup>	Country practice: Spain	Monthly, quarterly, annual	Focus group, Engagement Survey, individual and group meetings, specific agents meetings, annual summits, written communication
Shareholders, investors and financial community	Corporate	Daily	Results conference calls, participation to roadshows and industry conferences through one-on-one and group meetings with institutional investors, analysts and investor company visits, Amplifon's corporate website management
Manufacturers of hearing aids <sup>(2)</sup>	Corporate	Monthly	Business review, discussion during the definition of terms and conditions of new contracts, partnerships
Suppliers <sup>(2)</sup>	Corporate	Periodical	One-on-one meetings, site visits, participation to speaking opportunities hosted by the suppliers, partnership

Stakeholders' concerns/expectations	Amplifon's response
<ul style="list-style-type: none"> <li>- Enhancing customer experience in each touchpoint with Amplifon, both virtual and physical</li> <li>- Better understanding of the features of the products, assessment and purchase process in order to get the maximum benefit</li> <li>- Reducing social stigma associated with hearing loss and providing a clear explanation of the consequences linked to untreated hearing loss</li> <li>- Helping influencers in supporting friends and relatives with hearing loss</li> </ul>	<ul style="list-style-type: none"> <li>- Development and launch of Amplifon Product Experience, conceived with a customer-centric approach</li> <li>- Development and launch of the "New Generation" communication campaign, aimed at fighting the stigma associated with hearing loss through a positive communication approach and intended at empowering people</li> <li>- Planning a set of improvement actions in terms of customer experience (products, services, physical and digital touchpoints, etc.)</li> </ul>
<ul style="list-style-type: none"> <li>- Need to create <i>One Employee Experience</i> at Group level</li> <li>- Career development</li> <li>- Recognition</li> <li>- Quality of work</li>   <li>- Working environment</li> </ul>	<ul style="list-style-type: none"> <li>- Communication days and regular management team meetings</li> <li>- Launch of the new intranet in Corporate (progressive roll-out in the Countries)</li> <li>- Launch at global level of You@Amplifon - the Employee Lifecycle</li> <li>- Introduction of new agile working tools and smart communication tools for calls and video conferences</li> <li>- Milan headquarter refurbishment</li>   <li>- Movement of Minneapolis headquarter in a more functional building consistently as well with Amplifon's image of employer of choice</li> </ul>
<ul style="list-style-type: none"> <li>- Quality of work</li> <li>- Professional training and development</li> </ul>	<ul style="list-style-type: none"> <li>- New training programs</li> <li>- Recognition and reward program</li> <li>- Excellence Club</li> </ul>
<ul style="list-style-type: none"> <li>- Transparency of financial information</li> <li>- Business performance</li> <li>- Possible impacts of regulatory changes on the achievements of strategic goals</li> <li>- Ongoing update about the events occurred during the year (acquisition of GAES, launch of Amplifon Product Experience) and resulting impact on the achievements of strategic goals</li> </ul>	<ul style="list-style-type: none"> <li>- Presentation of 2018-2020 strategic plan and targets at the Capital Markets Day</li> <li>- Dedicated information about latest events during results presentation with investors</li> <li>- Constant update of corporate website</li> <li>- Provision to financial analysts, investors and media with the most up-to-date and transparent information</li> </ul>
<ul style="list-style-type: none"> <li>- Market, industry and technological trends</li> <li>- Possible impacts of regulatory changes</li> <li>- Process of development of Amplifon ecosystem</li> </ul>	<ul style="list-style-type: none"> <li>- Sharing of insights about market and customers</li> <li>- Sharing of insights about the development of Amplifon ecosystem</li> </ul>
<ul style="list-style-type: none"> <li>- Future development of the business</li> <li>- Adoption of new technologies</li> </ul>	<ul style="list-style-type: none"> <li>- Sharing and comparison of mutual interests as well as business and customer insights</li> <li>- Joint projects (e.g. Amplifon APP)</li> </ul>

Stakeholder	Corporate/Country practice	Frequency of stakeholder engagement	Type of engagement activity
Regulatory authorities	Corporate	Monthly	Dialogue with institutions and participation to working groups, periodic consultation and joint projects
	Country practice: New Zealand	Half yearly	Meeting both as Amplifon and as member of the New Zealand Hearing Industry Association
Industry and consumer associations	Corporate	Monthly	Joint actions, workshops, conferences, public presentations, meetings and joint projects
	Country practice: Spain	Half yearly, with hearing impaired community	Informal meetings
Healthcare system	Corporate	Quarterly	Surveys, meetings with healthcare agencies (EU, UN-WHO) regarding information about the quality of hearing care
	Country practice: Belgium	Annual	Consultation and written communication
Headhunters and universities	Corporate	Monthly	Collaboration for research and education projects, meetings in universities, offering of internships
	Country practice: Germany	Ongoing	Ongoing dialogue with education institutes and schools
Media/influencers	Corporate	Ongoing	Press releases, conference calls, social media, media conference, interviews, participation to speaking opportunities
	Country practice: Portugal	Monthly, with opinion leaders of medical community	Informal meetings

<sup>(1)</sup> Engagement with franchisees, agents (like the ones in Spain and Italy) and affiliates takes place only at local level due to the business peculiarities in each Country.

<sup>(2)</sup> Engagement with hearing aids manufacturers and major suppliers takes place mainly at corporate level because the relationship with them is managed by the Procurement function.



Stakeholders' concerns/expectations	Amplifon's response
<ul style="list-style-type: none"> <li>- Need to introduce innovations</li> <li>- Need to improve the quality, sustainability of the system and affordability of hearing aids</li> <li>- Affordability of hearing aids</li> <li>- Quality of service offered</li> <li>- Integration of hearing therapy and audiology</li> </ul>	<ul style="list-style-type: none"> <li>- Development of joint actions in collaboration with consumer and industry associations</li> <li>- Participation to industry reference groups</li> <li>- Regular engagement and collaboration with hearing therapy organizations</li> <li>- Training on hearing healthcare</li> </ul>
<ul style="list-style-type: none"> <li>- Raising awareness of hearing care</li> <li>- Increasing customer satisfaction</li> <li>- Preventing any conflict of interest during marketing and prevention campaigns</li> <li>- Need for continuous technological development</li> <li>- Affordability of hearing aids</li> <li>- Raising awareness of hearing care</li> </ul>	<ul style="list-style-type: none"> <li>- Collaboration in hearing care assessment and comparison among Countries</li> <li>- Identification of best practices</li> <li>- Organization of dedicated events</li> <li>- Focus on actions for which there is consensus within professional associations</li> <li>- Development of joint actions in collaboration with consumer and industry associations</li> <li>- Collaboration agreement with associations for more affordable conditions</li> <li>- Participation through fundraising as well as directly engagement in events dedicated to raising awareness</li> </ul>
<ul style="list-style-type: none"> <li>- Need to improve the adoption rate of hearing aids</li> <li>- Need to the overall sustainability of regional and national hearing care system</li> <li>- Business transparency</li> <li>- Budget for hearing care reimbursement</li> </ul>	<ul style="list-style-type: none"> <li>- Participation to researches proving that the adoption rate of disabling hearing loss (according to the WHO definition) is adequate in most of the Countries</li> <li>- Actions to improve reimbursement systems</li> <li>- Sharing of information related to the adoption rate of hearing aids, reimbursement and price-setting mechanisms</li> </ul>
<ul style="list-style-type: none"> <li>- Ensuring that research and development activities are evidence-based</li> <li>- Bring young people closer to the labour market</li> <li>- Providing integrative learning opportunities</li> <li>- Meeting demand of hearing care professionals</li> </ul>	<ul style="list-style-type: none"> <li>- Involvement of medical community and hearing care professionals in protocols development</li> <li>- Financing of scholarships</li> <li>- Partnership with Mentors4U</li> <li>- Foundation of the Training Center dedicated to hearing care professional apprentices</li> </ul>
<ul style="list-style-type: none"> <li>- Up-to-date information on business development</li> <li>- New technologies</li> <li>- Labour market trends with reference to Amplifon's industry</li> <li>- New insights/trends about over 55 population</li> <li>- Sharing of scientific information</li> <li>- Planning of medical events</li> <li>- Training</li> </ul>	<ul style="list-style-type: none"> <li>- Involvement of top management in speaking opportunities and interviews</li> <li>- Organization of a media conference with opinion leaders regarding over 55</li> <li>- Participation to renowned events such as Sonar +D and Wired Next Fest</li> <li>- Response rate improvement on social media</li> <li>- Presentation of Amplifon 360 for a better understanding of the medical community</li> <li>- Organization of joint events</li> </ul>

## Economic value distributed to stakeholders

Amplifon creates value by contributing to the growth of the economic and social context in which it operates. Value creation begins with the development of stakeholder relationships and with the management and improvement of financial, productive, intellectual, human, social and relational assets. The value entails two strictly correlated dimensions: the value created for the organization itself and the value created for its stakeholders and the community in general. This aspect develops through a wide range of activities, interactions and relations that add up to those activities - for example, sales to customers - that have a direct impact on the variations in financial capital. The concept of economic value distribution allows for an interpretation of the financial highlights resulting from the "Consolidated Financial Statements" from stakeholders' perspective as well as an understanding of the economic impacts of the Company. The calculation measures the value created by Amplifon in the year, its distribution among Company's stakeholders and the value retained by the organization.

While running its business activities, Amplifon also creates wealth for those stakeholders that are influenced by the Company's economic results (workforce, Public Administration, community, shareholders), as well as for those that have commercial relationships with the organization (providers of loans, suppliers). The economic value generated by the Company less the value distributed to the stakeholders has been reported as "retained economic value": it is mainly composed of the portion of net profit not distributed to shareholders in order to finance future investments.

In 2018, the economic value distributed by Amplifon was around 1,206.9 million euros, higher than 1,141.8 million euros posted the previous year; the economic value generated was 1,367.6 million euros and the retained economic value was around 160.7 million euros. The economic value generated, as shown in the table below, is broken down as follows:

- operating costs were equal to 697.0 million euros (+5.6% vs. 2017). Operating costs include the costs of raw materials, consumables and goods, commissions, store rents and other costs for services;
- employee wages and benefits, totaling 430.3 million euros (+8.1% compared to last year);
- payments to providers of capitals resulted in 37.3 million euros, thereof 24.1 million euros corresponding to dividends distributed to shareholders;
- payments to government, mainly made up by income taxes, were equal to 41.4 million euros, a decrease of 16.1% compared to 2017;
- community investments were around one million euros, an increase of 6.8% compared to the prior year.

It is also noted that the Company enjoyed 4.6 million euros in tax benefits and credits, in addition to approximately 0.1 million euros in subsidies and further 0.5 million euros in awards and financial incentives.

## Economic value distributed

Direct economic value generated and distributed [thousands of euros]	2017	2018**
<b>Economic value generated by the Company</b>	<b>1,273,813</b>	<b>1,367,614</b>
Revenues*	1,273,813	1,367,614
<b>Economic value distributed by the Company</b>	<b>1,141,831</b>	<b>1,206,891</b>
<b>Operating costs</b>	<b>660,135</b>	<b>697,035</b>
<b>Employee wages and benefits</b>	<b>398,024</b>	<b>430,271</b>
<b>Payments to providers of capital</b>	<b>33,486</b>	<b>37,274</b>
- of which dividends	15,292	24,079
- of which interests paid to providers of loans	18,194	13,195
<b>Payments to government</b>	<b>49,339</b>	<b>41,406</b>
- of which current income taxes	44,765	36,364
- of which other corporate taxes and penalties	4,554	5,042
<b>Community investments</b>	<b>847</b>	<b>905</b>
<b>Economic value retained by the Company</b>	<b>131,982</b>	<b>160,722</b>

\* Revenues differ from the figure reported in the 2018 Consolidated Financial Statements as it refers to revenues from sales and services plus other revenues.

\*\* 2018 figures shown in the table above and in the previous page are prepared according to the new accounting standards IFRS15.

## 1.2 Materiality analysis

In 2018, Amplifon updated its materiality analysis in compliance with the new GRI Standards issued by the Global Reporting Initiative in 2016. This analysis allowed the Company to identify, amongst the various economic, environmental and social topics, those with the greatest impact on the organization and potentially influencing the decisions of its key stakeholders.

### Preliminary analyses and relevant topics

The first step in the analysis was to examine the various sources of information to update the array of non-financial topics (hereinafter also the “sustainability topics”) that could potentially be relevant and had already been identified in previous years. The following sources of information were considered:

- the results of analysis of persistent sustainability matters at regional and international level derived from documents and reports issued by the most relevant non-governmental organizations and policy makers (such as the GRI, EU Policies and UN Reports);
- the results of the analysis of persistent sustainability topics in the health care industry, according to trade and consumer associations, as well as influencers in the area of sustainability;
- the results of a benchmarking analysis on non-financial reporting best practices developed by players operating in comparable sectors to Amplifon’s core business;
- the results of a media analysis that covered news flow regarding Amplifon and its industry;

This preliminary analysis reconfirmed the 21 relevant sustainability topics already identified in previous years also for 2018.

## Materiality of non-financial topics for Amplifon and its stakeholders

The next phase focused on determining an order of priority for the aspects identified, also taking into account the results of the materiality analysis carried out in 2017.

The relevance of each sustainability aspect for the main stakeholders was assessed on the basis of the results of the previously mentioned preliminary analyses, which were then integrated with the results of a sustainability survey involving more than 50 back office employees from Italy, France, Germany, Australia and the USA, as well as two hearing care associations. The survey counted approximately 20 questions regarding the respondents' perception about the concept of Corporate Social Responsibility, the activities and performance of Amplifon in terms of sustainability and the relevant topics that were to be included in the 2018 Non-Financial Disclosure. In determining the order of priority of the non-financial topics for stakeholders, the results of the survey were assigned a greater weight than those of the preliminary analyses, so that the final scenario was as consistent as possible with Amplifon's specific context.

The significance of each sustainability topic for Amplifon was assessed through dedicated meetings with the Company's top management, on the basis of the following factors:

- the views of the top management across key Countries and business operations;
- the policies already adopted by Amplifon;
- the potential impacts on the Company's ability to generate value in the long term;
- the new factors that have come into play during the year which may have led to a change in the impact of the Company on the social, economic and environmental scenario.

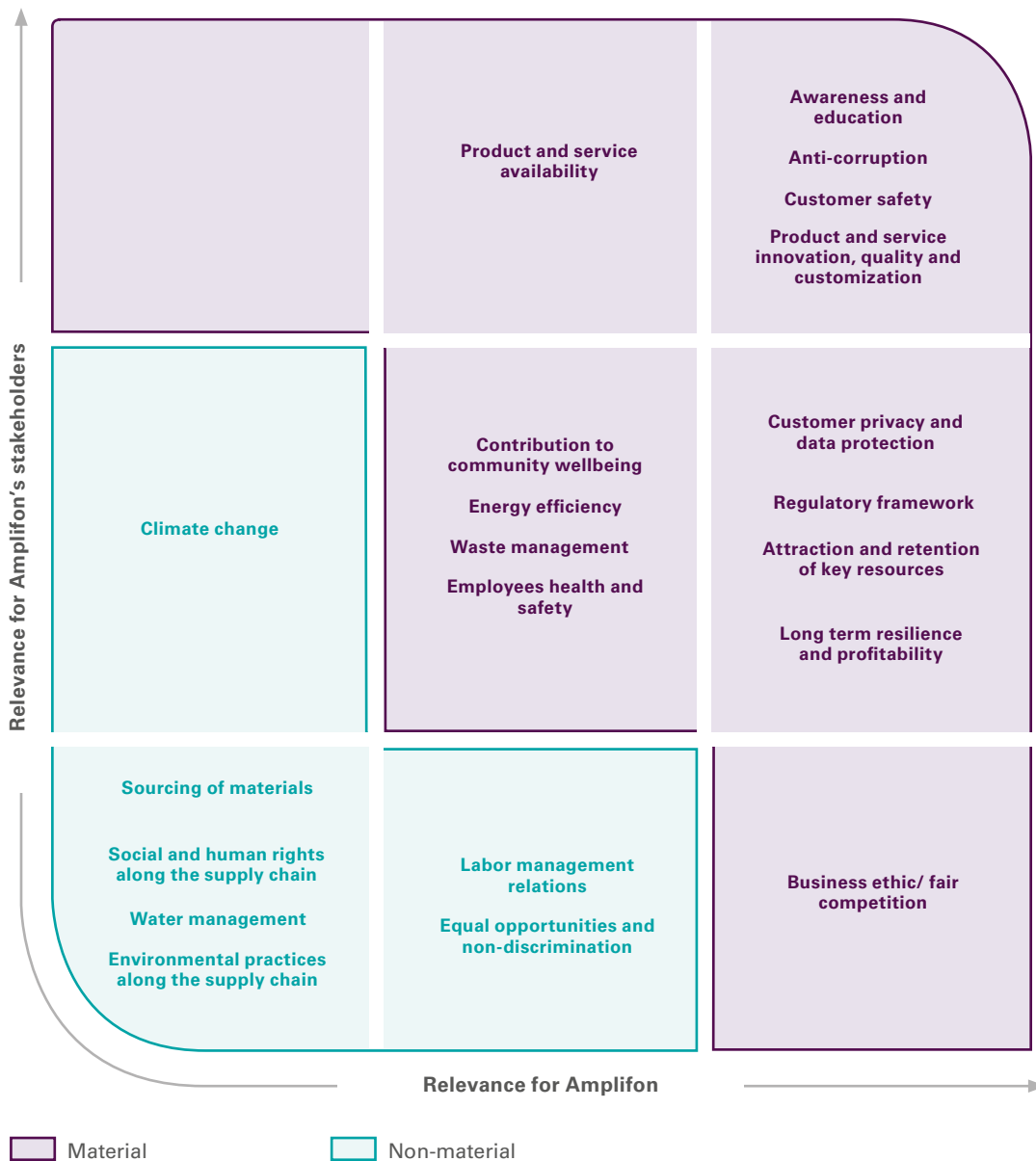
In compliance with GRI Standards, the materiality of the sustainability issues was assessed by considering the relevance of their impacts along Amplifon's entire value creation chain, both within and outside the reporting scope. In addition to this, the relevance of these aspects both for Amplifon and its stakeholders was determined by carrying out the analysis with exclusive reference to strictly non-financial topics, i.e. not including the following topics in the analysis: "Regulatory framework", "Long term resilience and profitability"<sup>3</sup> and "Product and service innovation, quality and customization". These topics are, in fact, more closely linked with the economic area and, consequently, are classified as relevant by definition.

### Prioritization

Through these analyses, Amplifon was able to identify the material sustainability topics most relevant both for the Company and for the stakeholders. This set of material topics is highlighted in the following materiality analysis.

<sup>(3)</sup> This topic is not covered in this document, as it is a strictly economic topic. Please refer to the Financial Statements as at 31 December 2018.

## Materiality analysis



The materiality analysis reflects the materiality of non-financial topics within the specific period. Pressures and trends change over time and, for this reason, the chart will be periodically updated on a yearly basis.

There have been no significant changes within the set of relevant topics compared to 2017, thereby showing the continuous consistency demonstrated in the approach taken in analyzing sustainability topics. With specific reference to strictly non-financial topics, the following are confirmed as amongst the most relevant:

- The importance that “Anti-corruption” takes on indicates the need to ensure corporate ethical practices in the organization and stakeholders’ interests. “Awareness and education” is another of the topics of highest impact to Amplifon and its stakeholders in terms of materiality, which reflects the pivotal role the Company plays in raising awareness of hearing healthcare through communication campaigns

and prevention activities, as well as through research. Compared with 2017, the relevance for Amplifon of “Customer safety” has increased, showing the greater attention paid by the Company to this aspect, in line with the introduction of important new features in terms of products and services;

- The importance of “Customer privacy and data protection” for Amplifon reflects the increasing attention of the issue at European level and the efforts the Company is making to address it. “Attraction and retention of key resources” is another topic of crucial importance Amplifon in order to guarantee long-term business sustainability and service excellence;
- “Product and service availability” is a key element in the Company’s business, aimed at achieving greater market penetration and, consequently, improving the hearing wellbeing of an ever-increasing number of people. This is why the relevance of this topic for Amplifon has increased as compared with 2017;
- To conclude, “Employees health and safety”, “Energy efficiency” and “Waste management” are topics of equal relevance both for Amplifon and its stakeholders. More specifically, the two aspects related to the environment have been considered as material primarily because of the energy consumption and waste production issues relating to Amplifon’s points of sale and headquarters’ activities. “Contribution to community wellbeing” was added to these topics, which has decreased in terms of its relevance to stakeholders on 2017, but, on the contrary, has increased in importance for Amplifon, due to the significant impact that the Company has on its current and potential customers, as well as with regards to those suffering from hearing loss in general, and the communities in which it operates.

Some of the non-financial topics requested by the Italian Legislative Decree 254/2016 - e.g. equal opportunities and non-discrimination, social and human rights along the supply chain, water management and climate change - were not considered material, primarily due to the low impact of Amplifon’s activities in those areas.







## 1.3 Identification of non-financial risks

In order to provide a comprehensive overview to stakeholders, as well as to be in compliance with the Italian Legislative Decree 254/2016, this Report comprises a section dedicated to the identification of non-financial risks.

More specifically, the table below takes each non-financial material topic identified in the materiality analysis, and summarizes the risks suffered or generated by Amplifon through its activities and along the value chain as well as the main actions implemented in response to those risks.

Material topic	Risk identification	Risk description	Risk response/ Management approach
<b>Attraction and retention of key resources</b>	Potential risk linked to the lack of adequate and qualified personnel in the shops, in support functions and in key managerial roles	Shortage of hearing care professionals and the risk that they could join competitors may affect Amplifon's organic growth. Lack of technical skills in sales force and support functions may lead to inefficiencies. Inadequate succession plans for key managerial roles may affect Amplifon's future execution capability.	<ul style="list-style-type: none"> <li>- Mapping of talents in support functions at Group level by function, geographic area and organizational level and development of succession plans</li> <li>- Identification of strategic skills needed to support the future growth</li> <li>- Increase of job fairs, contacts with universities and attraction activities on social media</li> <li>- Launch of Corporate Culture through an engagement plan at global level</li> <li>- Exclusive training programs for hearing care professionals and ongoing investment in new training paths</li> <li>- Recognition of and investment in top performers and talents</li> </ul>
<b>Employees health and safety</b>	Potential risk linked to the occurrence of non-compliance with health and safety regulations	Non-compliance with health and safety legislation regarding workplace conditions - incoherently with the value <i>Acting Responsibly</i> as well - may lead to monetary sanctions and it could also facilitate work-related injuries.	<ul style="list-style-type: none"> <li>- Compliance with local and regional law with respect to employees health and safety through the constitution of internal committee, the identification of supervisors and the implementation of local procedures</li> </ul>
<b>Anti-corruption</b>	Potential risk linked to crimes of corruption	The likelihood that the personnel commits illegal acts or violets the Company's rules can lead to monetary and interdicting sanctions, as well as reputation damages. Corruption or bribery events may occur in the relationships between Amplifon's personnel and the medical community, public institutions, suppliers or insurance companies.	<ul style="list-style-type: none"> <li>- Adoption of 231 Model in Italy and related annual checks of its application</li> <li>- Group Anti-corruption Policy (local implementation in progress) and related compliance program</li> <li>- Circulation of the Code of Ethics and communication of the Company's values</li> <li>- Training and communication activities</li> </ul>
<b>Waste management</b>	Potential risk linked to low control over the waste management along the value chain	Non-compliance with local and regional regulatory requirements concerning waste management can lead to monetary sanctions, reputational damages and increased environmental impact.	<ul style="list-style-type: none"> <li>- Compliance with local regulatory system on waste management along the product life cycle</li> <li>- Training provided to the local contact people on environmental reporting*</li> <li>- Adoption of the Sustainability Policy*</li> </ul>
<b>Energy efficiency</b>	Potential risk linked to low control over energy consumption of the Group	Lack of energy efficiency strategies as well as unpreparedness in facing stricter energy efficiency requirements may cause an increase in operational costs and higher environmental impacts.	<ul style="list-style-type: none"> <li>- Training provided to the local contact people on environmental reporting*</li> <li>- Adoption of the Sustainability Policy*</li> <li>- Monitoring of retail energy consumption**</li> </ul>

Please note that the Sustainability Policy approved in 2018 covers all the topics/risks listed below and it is a response in terms of commitment and guidelines as well. Finally, be noted that the Company is already in compliance with the changes introduced by the 2019 Budget Law (dated December 30<sup>th</sup>, 2018, n. 145) to the Legislative Decree 254/2016, as since 2017 Amplifon has already identified responses to each risk, namely its management approach.

Material topic	Risk identification	Risk description	Risk response/ Management approach
<b>Awareness and education</b>	Potential risk linked to misinformation about content of marketing campaigns and other communication channels	The provision of unclear information, through communication channels and sales personnel, may lead to reputational damages. There may also be difficulties in adapting communication content and channels to different and evolving audiences. On top of these risks, the publication of content by unauthorized personnel could occur.	<ul style="list-style-type: none"> <li>- Review of marketing communication, through which Amplifon provides information about hearing care as well, by an expert</li> <li>- Investment in a multichannel approach and a comprehensive communication strategy</li> <li>- Amplifon 360 to provide all customers with more insights and understanding at every stage of the journey</li> <li>- Training to hearing care professionals</li> <li>- Support to research in order to ensure an evidence-based information in audiology</li> <li>- Investment in IT security systems</li> </ul>
<b>Customer privacy and data protection</b>	Potential risk linked to lack in protecting customer data and information	Non-compliance with regulatory requirements on data privacy can lead to monetary sanctions. Data losses and breaches may lead to operational and reputational damages.	<ul style="list-style-type: none"> <li>- Compliance with GDPR (General Data Protection Regulation) in the EU States in which Amplifon operates</li> <li>- Investment in IT security systems</li> <li>- Training and raising awareness activities</li> </ul>
<b>Product and service availability</b>	Potential risk linked to the difficulties customers may have in reaching Amplifon's services	The scarce network coverage or inaccessibility of stores for older people may affect Amplifon's penetration.	<ul style="list-style-type: none"> <li>- Free hearing tests, including "mobile" hearing tests</li> <li>- Investment in network expansion</li> <li>- Provision of anytime available services through the Amplifon APP</li> </ul>
<b>Contribution to community wellbeing</b>	Potential risk linked to a lack of a harmonious and efficient investment plan for the community	The lack of a global community investment plan may affect the efficiency of the investment itself, resulting in a minor benefit for the community and a missed opportunity for Amplifon.	<ul style="list-style-type: none"> <li>- Preliminary data collection and monitoring about existing local initiatives*</li> <li>- Coordination of the existing local initiatives through the Amplifon Charles Holland Foundation**</li> </ul>
<b>Customer safety</b>	Potential risk linked to a lack of customer safety measures	Non-compliance with product and labelling regulations, the misapplication or misuse of hearing aids, the possible defectiveness of products and non-compliance of the shops with health and safety legislation can lead to monetary sanctions and reputational damages.	<ul style="list-style-type: none"> <li>- Strong cooperation with suppliers</li> <li>- Training provided to hearing care professionals both on hearing aids and Amplifon APP</li> <li>- Monitoring of regulatory changes</li> <li>- Insurance coverage</li> <li>- ISO 9001 and ISO 13485:2016 certifications (Italy)</li> <li>- Compliance with local and regional law with respect to health and safety</li> </ul>
<b>Business ethic/fair competition</b>	Potential risk linked to the occurrence of unethical business practices and unfair competition	Non-compliance with legislative regulations, the Code of Ethics and procedures by Amplifon's employees may lead to monetary sanctions and reputational damages due to sanctions or allegations.	<ul style="list-style-type: none"> <li>- Group Anti-corruption Policy (local implementation in progress) and related compliance program</li> <li>- Circulation of the Code of Ethics and communication of the Company's values</li> <li>- Adoption of 231 Model in Italy and related annual checks of its application</li> <li>- Crisis communication management manual</li> </ul>

\* These initiatives, although not representing a real response to the risk, are to be considered preliminary to the implementation of those initiatives already identified as risk responses not yet implemented. The Sustainability Policy itself represents a first formalization of the areas of commitment to be overseen.

\*\* These initiatives have not been put in place yet, but they have been identified as a response to the risks to be implemented.





# Commitment to sustainability

**Constantly listening and addressing the expectations of its customers, people and society, safeguarding the ability of future generations to meet their needs in the long term: this is the meaning of sustainability in Amplifon.**

**Amplifon is committed every day and at every organizational level to support the development of an increasingly sustainable business by promoting an outstanding customer experience, enhancing its people, raising awareness around hearing health and respecting the highest regulatory, ethical and moral standards.**

**Perfectly aligned with the values on which the Company's activities are founded, Product & Service Stewardship, People Empowerment, Community Impact and Ethical Behavior represent the four areas of Amplifon's commitment to contribute to improving the quality of life of millions of people in the world through a responsible business management.**



## 2. Who we are

### 2.1 Our Corporate Culture

## Our Purpose

We empower people to rediscover all the emotions of sound

## Our Mission

We transform the way hearing healthcare is perceived and experienced worldwide, making it a natural choice for people to seek the superior care and expertise of our hearing care professionals.

We strive to understand the unique needs of every customer, delivering the very best solutions and an outstanding experience.

We attract, develop and empower the most, talented people, who share our ambition to change the lives of millions of people across the world.

## Our Values



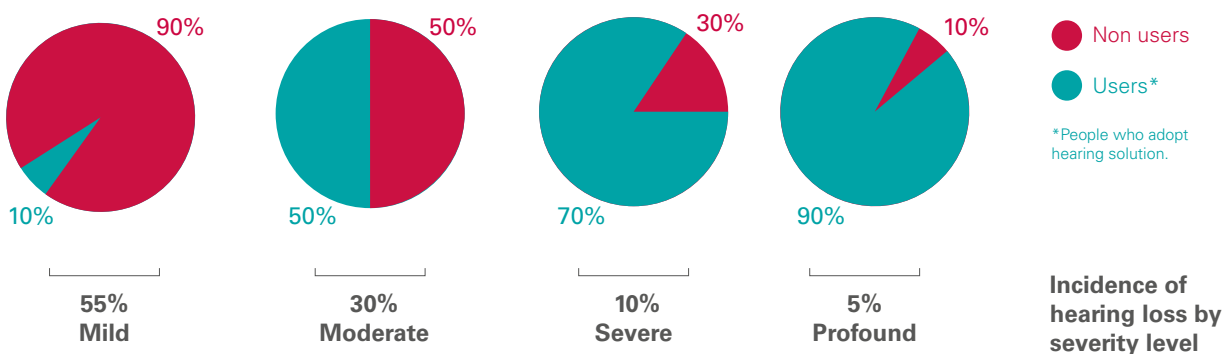


## 2.2 Market scenario

The global retail hearing care market has an estimated value of around €14.2 billion euros and it is expected to grow by about 4% over the next few years as a result of demographics and increase in penetration rates. Being able to hear is essential at any age as it allows people to connect with the world around them and to enjoy a full personal and social life. Although it is more common in the elderly due to the natural aging of cells, hearing loss can affect all age groups. Approximately 15% of the world’s adult population has some degree of hearing loss and, out of these, the World Health Organization estimates that 460 million have a disabling hearing loss. Due to the increasing life expectancy of global population, this number is expected to double by 2050. Untreated hearing loss represents an annual global cost of 750 billion dollars.

Considering the serious consequences faced by people with untreated hearing loss (ranging from isolation and frailty to depression and cognitive decline), the overall hearing solution penetration rate in developed Countries can definitely be improved.

### Hearing solutions adoption rate by degree of hearing difficulty in developed markets



People wait 7 years on average before taking action and approaching a hearing care professional, thus exacerbating the side effects of hearing loss. Reasons for this delay include:

- difficulty in admitting the problem;
- prejudice and stigma related to hearing aids;
- dissatisfaction with the use of non-advanced technologies;
- lack of information on the effects of overlooked hearing loss;
- lack of information on the development and progresses of hearing solution technologies and services.

## 2.3 Business model

Amplifon is the global leader in hearing solutions and services in terms of retail expertise, customization and consumer care. It operates under different business models, enabling it to better adapt its offer to the peculiarities of each market where it operates.

### Value chain



### Business-to-consumer model

In EMEA and APAC, Amplifon mainly adopts a B2C business model, operating mostly through direct points of sale, which can be either corporate shops or shop-in-shops and corners.

- **Corporate shops** are direct points of sale managed either by Amplifon staff or by people working on behalf of the Company on a commission basis. Amplifon has 3,084 of these fully equipped shops, where customers get in direct contact with the Company.
- **Shop-in-shop and corners** are direct points of sale located in third-party premises (e.g. pharmacies, opticians and medical surgeries) that are visited by audiologists on a regular basis. They are very common in rural areas with low population rates. Customers for whom these outlets represent the first point of contact may be directed to a store when necessary. Amplifon’s points-of-sale network consists of 3,894 shop-in-shops and corners.

### Business-to-business model

In the USA, Amplifon operates two different B2B business models:

#### Franchising (Miracle-Ear)

It is a network of retailers who run outlets under a franchising agreement and using Amplifon's Miracle-Ear brand. Such retailers benefit from a leading brand, advanced marketing tools and other value-added services provided by Amplifon. They purchase products exclusively from Amplifon and can make use of Service Centers as their first contact point with customers. Miracle-Ear's points of sale in the USA are more than 1,400.

#### Wholesale (Elite Hearing Network)

It is a wholesaler serving the US north-American independent market (audiologists, ENTs). These independent retailers, affiliates of the Elite Hearing Network, operate with their own brands, purchase products from Amplifon and benefit from favorable price conditions thanks to economies of scale and a variety of support services. Affiliates to Elite Hearing Network are more than 1,700.

#### Managed care business model

In the USA, the Company also operates in the B2C market through Amplifon Hearing Health Care (AHHC), which is a network-based provider of hearing aids to the US health insurance industry. AHHC's objective is to sign contracts with insurance companies, some of which are on an exclusive basis, so that their customers with hearing difficulties are referred by Amplifon Hearing Health Care to the closest hearing care providers. Amplifon Hearing Health Care network includes Miracle-Ear members or Elite Hearing Network affiliates or third parties. The customer receives the hearing solution together with the personalized fitting service from the hearing care provider, which in turn receives the hearing device and a fee for the fitting from Amplifon Hearing Health Care.



## Strengths

Leveraging its unique global position and over 65-year-long experience, Amplifon continually innovates its value proposition to be always closer to the lifestyles and fast-evolving needs of its customers.

---

### Innovation



Amplifon is pioneer in adopting innovative technologies to develop highly added value services and products. The Amplifon multichannel ecosystem, supported by an advanced IT platform that allows an intense data mining activity, enables to differentiate the customer journey and the Amplifon experience in all touchpoints, be they physical or virtual.

---

### Expertise



Amplifon's network of highly qualified hearing care professionals meets every person's needs by blending innovative technologies, scientific know-how – including the exclusive protocol Amplifon 360 – with a personal approach to ensure a superior customer experience.

---

### Brands



The strong pervasiveness of Amplifon's portfolio allows the Company to be at the helm of a real cultural change in our industry, redefining the way customers feel about their hearing. Amplifon's communication approach looks to empower people, blending physical with digital experiences in a multichannel approach.

---

### Employer of choice



Amplifon is the employer of choice in the hearing care industry thanks to both its distinctive, winning Corporate Culture, and the constant investment in talent, continuous professional development and recognition of its people at all organization levels.

---

### Global dimension



A unique global distribution network, made of different types of points of sale and interconnected thanks to our global database, allows Amplifon to be always close to its customers, to share best practices among its hearing care professionals throughout the world and to diversify its exposure to several markets.

---

### Scientific leadership



Amplifon's Center for Research and Studies (CRS) is a specialized partner to the medical and academic communities and leader in the fields of audiology and otolaryngology. Its prestige comes from the collaboration with renowned, national and international, experts whose innovative contribution is of paramount importance for the continuous practical and theoretical update of the medical community.

## 2.4 Market presence and supply chain

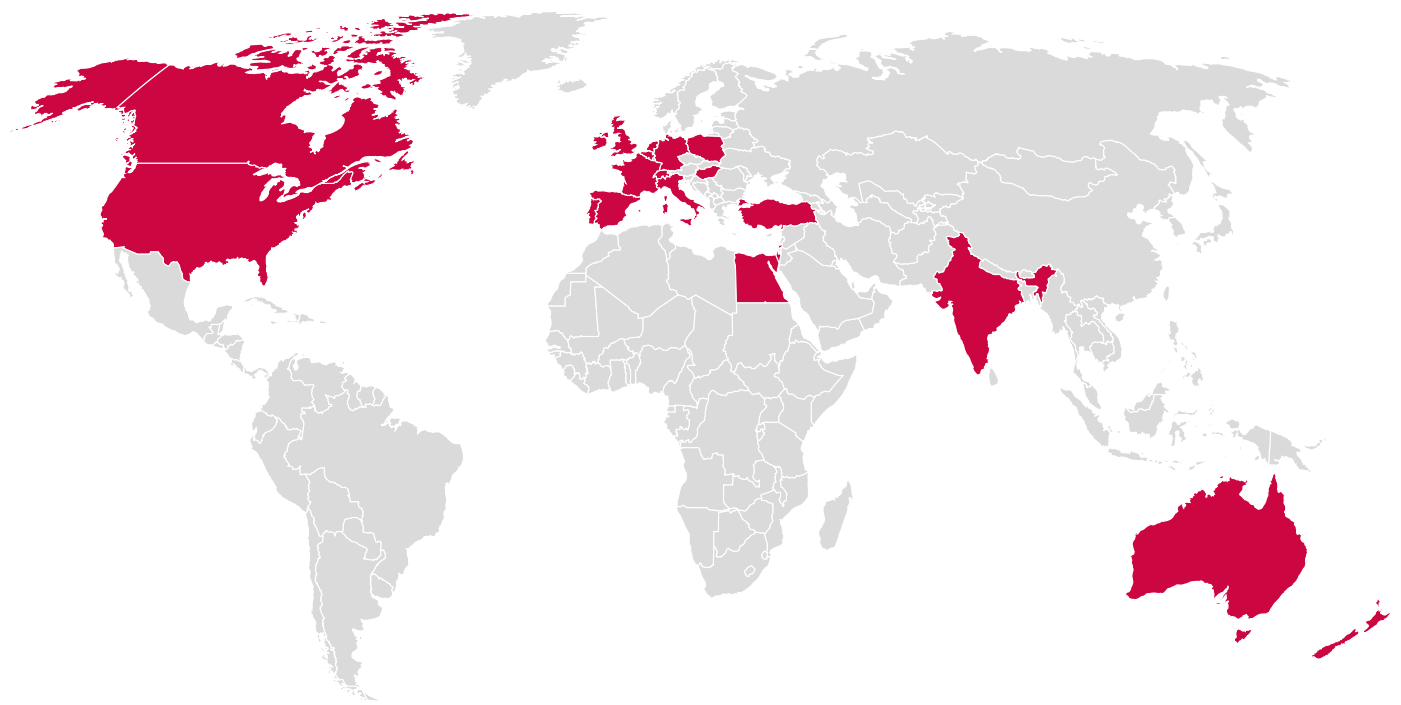
Amplifon operates under three regions (EMEA, APAC, Americas) and across five continents. It holds at least a top 3 position in all the key markets where it is active and is one of the fastest-growing businesses in the retail arena.

### Amplifon presence

#### AMERICAS

#### EMEA

#### APAC



## Distribution network

Country	Brand	Corporate Shops	Shop-in-shops & corners	Franchisees	Network Affiliates	
Italy	Amplifon	617	3,167	-	-	EMEA
France	Amplifon	558	125	-	-	
Germany	Amplifon	500	-	-	-	
The Netherlands	Beter Horen	169	50	-	-	
Spain	Amplifon	175	34	-	-	
UK & Ireland	Amplifon	130	115	-	-	
Switzerland	Amplifon	93	-	-	-	
Belgium & Luxemburg	Amplifon	90	54	10	-	
Hungary	Amplifon	77	-	-	-	
Portugal	Minisom	66	54	-	-	
Poland	Amplifon	58	-	-	-	
Egypt	Amplifon	25	-	-	-	
Turkey	Maxtone	24	-	-	-	
Israel	Medtechnica Orthophone	23	-	-	50	
USA	Miracle-Ear	50	-	1,440	-	AMERICAS
	Elite Hearing Network	-	-	-	1,763	
Canada	Amplifon	62	-	-	-	
Australia	National Hearing Care	189	114	-	-	APAC
New Zealand	Bay Audiology	103	31	-	-	
India	Amplifon	75	150	-	-	
<b>Total</b>		<b>3,084</b>	<b>3,894</b>	<b>1,450</b>	<b>1,813</b>	

Although not included in the scope of this Report, in 2018 Amplifon entered new markets, such as the Chinese one, and strengthened its presence in key markets, such as the Spanish one, thanks to the acquisition of GAES, reaching a total of 29 Countries of operations with a distribution network of approximately 11,000 points of sale. For a comprehensive overview, please refer to the 2018 Annual Report.

## Supply chain

Establishing good relations with suppliers is essential to obtain products and services that consistently meet expectations. As in any corporate process, supplier selection is deeply rooted in the search for quality, flexibility and maximum professionalism.

Amplifon's supply chain is coordinated at corporate level in relation to the needs of the management teams in each Country, which are accountable for daily and tactical operations as well as for local aspects according to market needs and peculiarities.

Amplifon's supply chain is organized in two different purchasing categories:

---

### Direct purchases

---

#### Procurement of hearing aid devices and related products

- Hearing aids
- Hearing aid accessories
- Hearing aid spare parts
- Batteries
- Ear molds
- Other products
- Services (i.e. hearing aid repairs)

---

### Indirect purchases

---

#### Procurement of products and services not directly related to the hearing aid device

- Marketing & advertising
- Consultancy
- General expenses
- Information technology
- Rent expenses
- Logistic services

## Manufacturers

Being the global leader, Amplifon entertains relations only with best manufacturers, thus guaranteeing the safety and quality of products sold. By entering into dialogue with Country heads, Procurement function is also able to select the most suitable products for the different markets.

The interaction with hearing aid manufacturers and developers is crucial for Amplifon, as technologies can impact on the way the Company interacts with customers. Amplifon constantly monitors suppliers' roadmaps in order to be able to leverage any technological advances and continue to offer an excellent experience across all its touchpoints. The product phase-in and phase-out are also closely monitored, so as to guarantee the possibility of offering assistance to customers throughout the whole product lifecycle.

Likewise, Amplifon shares the knowledge it gains from its customers with its suppliers and collaborate with the latter to improve hearing experience in line with customers' needs.



## Logistics

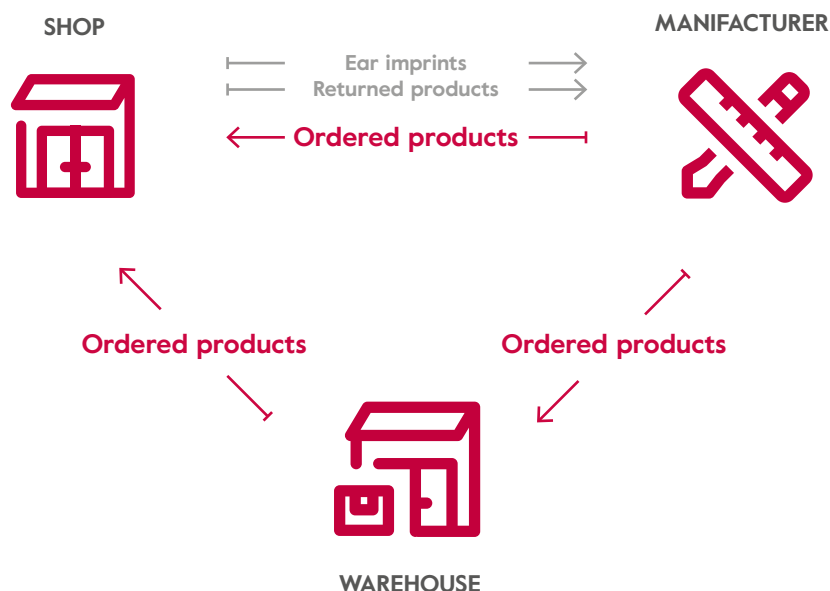
The logistics of hearing aids distribution varies depending on the region. In the USA, it is managed directly by suppliers and Miracle-Ear, Elite Hearing Network and Amplifon Hearing Health Care members or affiliates. This differs from the logistics in EMEA, APAC and Canada. In these areas, once the hearing profile and the needs of the customer have been assessed and the best suitable behind-the-ear product has been selected, the purchasing request is submitted from the shop to the Country's responsible function. The latter issues an order to suppliers, who send the hearing devices either directly to Amplifon's store or to local warehouses (when present and dedicated to hearing aids distribution). When the best solution consists of an ITE (in-the-ear) device, or if a custom mold is requested to fit the customer's needs, an impression of the customer's ear canal is made by pouring silicon material into the ear. Once hardened, the silicon impression is sent to manufacturers and a production request is submitted to produce the hearing aid. The logistics then follows the usual process.

In this logistic framework, Amplifon is responsible for:

- the transportation of products from warehouses to stores;
- the transportation of products from stores to manufacturers' plants, when customers do not proceed with the purchase after the trial period.

Another important step in the logistics path is linked to product repair. The Company focuses on the efficiency of this phase, because it is important that customers' hearing aids are sent back to them as soon as possible, so that they are able to hear again. The transportation of both new and faulty products is entirely outsourced.

### Amplifon logistics



Amplifon and hearing aid manufacturers are committed to optimizing their logistics in order to reduce the associated energy consumption, pollution and costs. Some manufacturers are proposing regional centers for the digital scan of the customer's ear impression, reducing the need to transport it to manufacturers' plants.

Another key factor in reducing reversed logistics is Amplifon's focus on providing customers with the best solutions, so that their expectations and needs are fully satisfied first time around.

## 2.5 Strategy

Amplifon aims to further strengthen its global leadership through three pillars, positioning the Company at the forefront of technological innovation.



---

### Strengthen leadership in core markets

---

Amplifon pursues a differentiated growth strategy with the aim to further consolidate its leadership position in all core mature Countries worldwide. Among emerging markets, China represents a sizeable opportunity for Amplifon's medium-term growth path.



---

### Innovative and distinctive customer experience

---

Amplifon's strategy is tailored around the customer, to whom it offers a distinctive and highly innovative customer experience by means of the Amplifon product line and multichannel ecosystem, leveraging on unique and unmatched assets such as data, brand as well as an impeccable and decidedly personalized service.



---

### Effective execution capability

---

To foster an effective execution of its strategy, Amplifon continues to invest in top talents, the sharing of best practices and the extension of its global integrated IT infrastructure.

## 2.6 Governance

A good governance structure is a key element in achieving long-term strategic goals. It is also essential for defining roles and responsibilities in line with decision-making processes, internal control activities, and business conduct principles.

Amplifon's Corporate Governance structure is based on the principles outlined in the Corporate Governance Code for Listed Companies, proposed by the Committee for the Corporate Governance of Italian Listed Companies. Amplifon adheres to the guidelines defined in both the 2001 and in its latest issue of July 2015.

The Company is managed by a Board of Directors comprising nine members, as resolved by shareholders. Board members are picked from a list of candidates presented by all the shareholders and/or a group of shareholders who own at least 1% of share capital. At December 31<sup>st</sup>, 2018, the composition of the Board of Directors was as follows:

### Board of Directors

Role	Name	Executive	Non Executive	Independent <sup>(4)</sup>
Chairperson	Susan Carol Holland		•	
CEO	Enrico Vita	•		
Director	Andrea Casalini		•	•
Director	Alessandro Cortesi <sup>(5)</sup>		•	•
Director	Maurizio Costa		•	•
Director	Laura Donnini		•	•
Director	Maria Patrizia Grieco		•	•
Director	Lorenzo Pozza		•	•
Director	Giovanni Tamburi		•	

<sup>(4)</sup> Directors that declare they qualify as independent as defined under current law and in the Italian Stock Exchange Corporate Governance Code.

<sup>(5)</sup> Director appointed by the minority shareholders.

Currently, the Board of Directors, of which 33% are women, is characterized by a good mix of professional profiles and skills ranging from business to finance figures and professionals. Moreover, the average age of the members has significantly dropped from 72 years in 2011 to 60 of the current Board and ranges between a maximum of 71 and a minimum of 50 years.

On a timely basis, the Board of Directors, either directly or through its delegates, reports to the Board of Statutory Auditors on its work and on any transactions carried out by the Company and its subsidiaries having a significant impact on profitability, assets and liabilities or financial position. The following table shows the composition of the Board of Statutory Auditors, which was appointed during the Shareholders' Meeting held on April 20<sup>th</sup>, 2018 and will remain in office until the Shareholders' Meeting convened to approve the Financial Statements as of December 31<sup>st</sup>, 2020.

## Board of Statutory Auditors

Role	Name
Chairperson	Raffaella Pagani <sup>(6)</sup>
Standing auditor	Maria Stella Brena
Standing auditor	Emilio Fano
Alternate auditor	Alessandro Grange <sup>(6)</sup>
Alternate auditor	Claudia Mezzabotta

<sup>(6)</sup> Member of the Supervisory Board appointed by the minority shareholders.

At December 31<sup>st</sup>, 2018, the Committees and Supervisory Board established by Amplifon's Board of Directors were composed as follows:

### Risk, Control & Sustainability Committee

Role	Name
Chairperson	Lorenzo Pozza
Member	Susan Carol Holland
Member	Alessandro Cortesi
Member	Laura Donnini

### Remuneration & Appointment Committee

Role	Name
Member	Maurizio Costa
Member	Susan Carol Holland
Member	Andrea Casalini
Member	Maria Patrizia Grieco

### Related Parties Transactions Committee

Role	Name
Chairperson	Andrea Casalini
Member	Laura Donnini
Member	Alessandro Cortesi

### Supervisory Board

Role	Name
Member	Lorenzo Pozza
Member	Laura Donnini
Member	Paolo Tacciarìa (Head of Internal Audit)

### Lead Independent Director

Lorenzo Pozza

### Head of Internal Audit

Paolo Tacciarìa

### Executive responsible for financial reporting

Gabriele Galli

### Secretary of the Board of Directors

Luigi Colombo

### External auditors

PricewaterhouseCoopers S.p.A.

The Risk, Control and Sustainability Committee assists the Board of Directors with matters related to internal control and risk management, while also monitoring the adequacy and appropriateness of the internal control system. Pursuant to the Board of Directors' resolution of 2016, the Committee provides support in the definition of sustainability-related policies, strategic guidelines and action planning, and supervises the non-financial reporting.

With specific reference to the governance of sustainability, in December 2018 the Board of Directors approved the Group's Sustainability Policy, which defines the priorities and areas of commitment towards the Company's stakeholders concerning sustainability, namely:



---

### Product & Service Stewardship

---

Amplifon is aware of its pivotal role in the hearing care arena and is firmly committed to providing its customers with the highest quality solutions by assuring their effectiveness, personalization and safety, as well as delivering an outstanding experience addressing each customers' needs.



---

### People Empowerment

---

Amplifon believes that its people, regardless their role within the organization, represent the most relevant asset for providing highly value-added hearing solutions and services. As a result, Amplifon strives to attract, train and retain the best talents as well as to guarantee a diverse, inclusive and innovative working environment.



---

### Community Impact

---

Amplifon's products and services have a high social impact on community worldwide. Amplifon is deeply committed to raising awareness around hearing health, with the ultimate goal of reducing the severe consequences related to hearing impairment and maximizing the positive impact of early intervention.



---

### Ethical Behavior

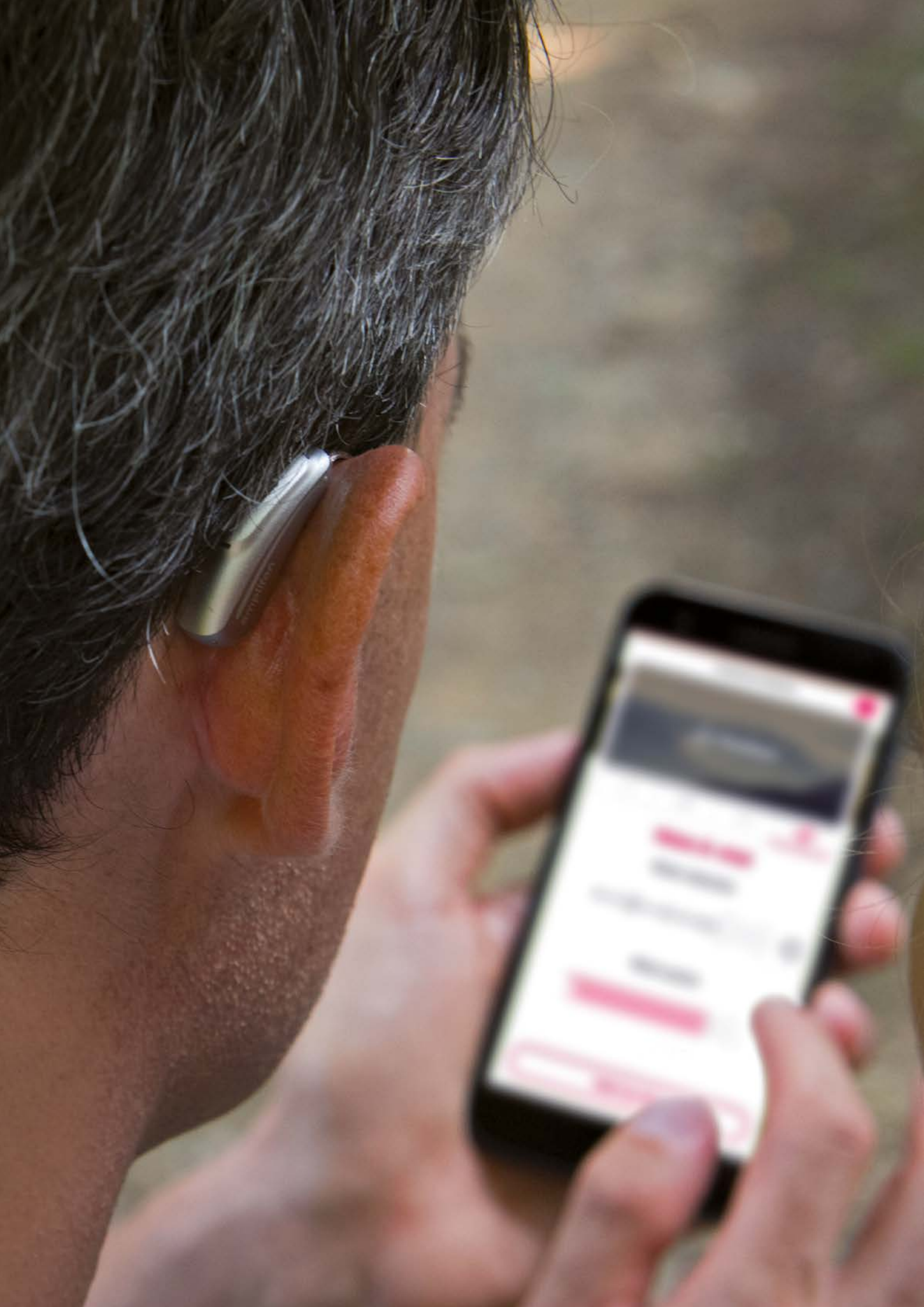
---

Amplifon is strongly committed to running its activities in full accordance with local regulatory frameworks and with the highest ethical and moral standards, thus actively working to prevent any type of unethical business practice.

During the first months of 2019, the Sustainability Policy has been communicated to all Amplifon's employees and it has been published on Amplifon's Corporate website.









# Product & Service Stewardship

Amplifon is aware of its pivotal role in the hearing care arena and is firmly committed to providing its customers with the highest quality solutions by assuring their effectiveness, personalization and safety, as well as delivering an outstanding experience addressing each customers' needs.



## 3. Product & Service Stewardship

### 3.1 Product and service innovation, quality and customization









#### An innovative customer experience

Amplifon's business model is based on listening to customers and understanding their needs in order to customize hearing solutions to their lifestyle, hearing profile, the sounds they hear every day and their aesthetic preferences. The Company offers exclusive, all-round, highly customized hearing care solutions and services, guiding people throughout their journey to rediscover all the emotions of sound. All the way through, Amplifon's highly skilled hearing care professionals keep up a constant dialogue with each person, whether that's through an initial appointment or one of the follow-up appointments set up to check and adapt the hearing solution to meet specific individual needs.

With a view to continuously improving its services and starting from an in-depth analysis of the customer journey carried out in 4 Countries with thousands of customers and hearing care professionals in 2017, the Company was able to better understand the needs of its customers and identified the strengths and opportunities of each moment of the journey, be they physical or virtual. This gave rise to the Amplifon Product Experience, a compelling technological innovation program aimed at driving change in the retail hearing care market. The two pillars of this program are the new Amplifon product line and the Amplifon multichannel ecosystem, both successfully launched in Italy in May 2018 and to be launched in all key Countries during 2019-21. The Amplifon Product Experience is a unique and distinctive lever to offer a complete value proposition, made of product, service and experience.



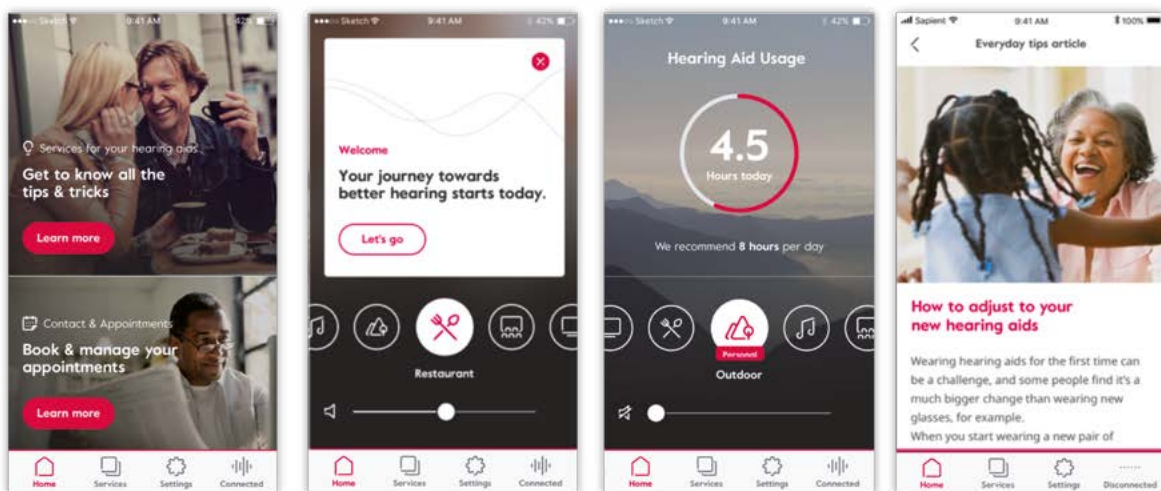
The Amplifon Product Line (APL) is the first key element of Amplifon's technological innovation program. The APL consists of four product families, each meeting specific customer requirements, and was developed in collaboration with four of the largest hearing aid manufacturers, in order to select the best technologies available on the market and integrate them into the experience offered to the customer, thereby increasing satisfaction.

	<p><b>ampli-easy</b> </p> <p>Hearing aids with the essential functionalities for the customer.</p>		<p><b>ampli-mini</b> </p> <p>Small and handy, designed to be nearly invisible.</p>
	<p><b>ampli-energy</b> </p> <p>Rechargeable devices always ready for use, everywhere.</p>		<p><b>ampli-connect</b> </p> <p>Devices that allow connection to smartphone, TV and stereo.</p>

At the end of 2018, the rate of adoption of the APL in Italy was approximately 90%<sup>7</sup> of sales, with connectivity and aesthetics being the characteristics preferred by customers.

The second key element of the Amplifon Product Experience is the Amplifon multichannel ecosystem, which redefines the Amplifon experience throughout the customer journey (and therefore not only in the shop). Through its APP, that represents the first touchpoint of the ecosystem, Amplifon provides customers with new differentiated and highly value-added services such as “find the nearest shop,” “book an appointment” and the “Companion”<sup>8</sup>, besides being serving as a remote control to the hearing aids. The Amplifon Companion is an exclusive and customized service that guides consumers to maximizing the effectiveness of their hearing solution, with personalized tips throughout the entire journey.

Moreover, the Amplifon APP represents an enormous potential in terms of data: Amplifon can access information on the use of hearing aids and take advantage of it to create an increasingly personalized experience. The penetration rate of the APP is approximately 15% of the compatible hearing solutions, and consumers access it more than 3 times a day, confirming users’ satisfaction.



<sup>7)</sup> Excluding the social market.

<sup>8)</sup> For further details, see the section “Product and service availability”.



Added to this is the Amplifon 360 store protocol, namely the innovative and exclusive program developed by the Company to evaluate the hearing profile of people, for maximum personalization of the hearing solution. Made possible by key investments in innovative services, user-friendly technologies, which includes cutting edge instruments, and customer-oriented research, this experience increases customer involvement in the hearing assessment process, improving analysis of each person's needs and lifestyle.

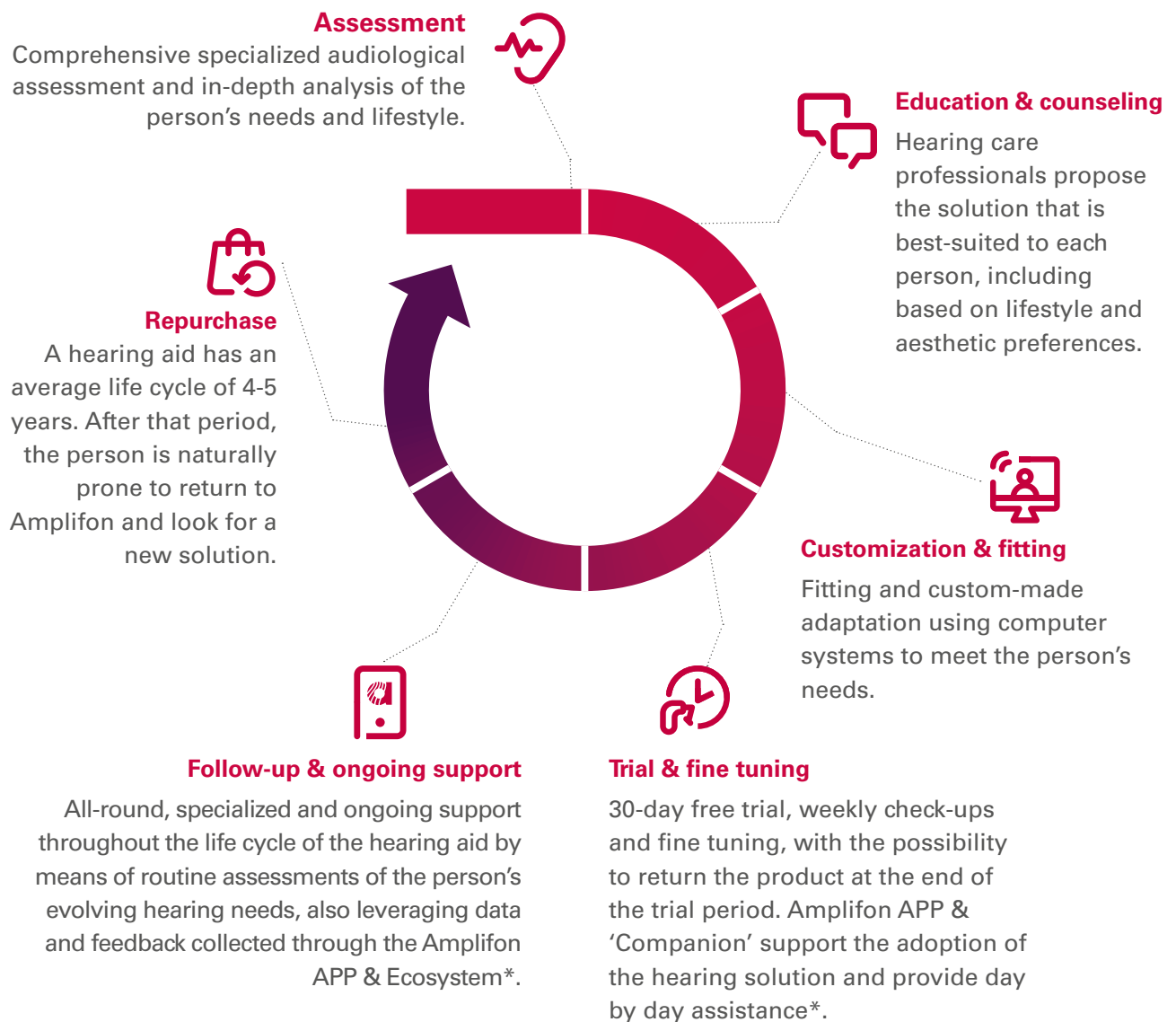
The path leading to the selection of a particular hearing solution is explained to customers on a step-by-step basis, supported by a front office IT system with a video interface shared by both the customer and the hearing care professional. The IT system and application protocol have been designed by Amplifon for two specific reasons:

1. to facilitate hearing care professionals in gaining a thorough comprehension of each customer's hearing needs;
2. to allow customers to understand the results of the various tests performed and, thus, their own hearing needs.

By following the new structured service protocol, and by drawing on their solid technical know-how and advanced communication skills, hearing care professionals ensure that people are confident about their selection of the most suitable solution and proceed to the purchase.



## The service life cycle



\* Multichannel ecosystem available from May 2018 in Italy only. Launch in other key Countries during 2019.

## Customer satisfaction

Customer satisfaction is one of the pillars of Amplifon's business model. Thanks to the constant investment in the selection and training of hearing care professionals and to the implementation of increasingly sophisticated protocols, communication, marketing and Customer Relationship Management systems, Amplifon is able to provide its customers with a vast range of innovative solutions, the highest professionalism and, therefore, a particularly positive experience.

To better understand customer expectations, and thus deliver an even more satisfying level of service, Amplifon has been working on a unique method to collect and manage customer feedback. This includes the development of a structured and standardized customer satisfaction survey in all key Countries in which the Company operates, so that results are accurate and comparable.

The survey allows the assessment of satisfaction at four milestones along the customer journey: the first touchpoint, the purchase, the follow-up phase and the decision not to order or to buy. The survey is managed through three main channels: paper questionnaire, call centers and e-mail.

Respondents are asked to use a 0-10 point scale to rate their overall customer experience with regard to the shop, services, client advisor, hearing care professional and, lastly, the product. The scale indicates the level of probability of recommending Amplifon to friends and relatives (international Net Promoter Score or NPS method).

The survey has been launched in almost all Countries, including the Miracle-Ear network. The 2018 results were very positive in all touchpoints, achieving an overall NPS of over 65 in the more than 85,000 completed questionnaires. The NPS results were also followed by action plans at the national level, aimed at closing the gaps identified and further improving the customer journey. The Miracle-Ear network, for example, has drawn up a detailed plan of measures that the owners of franchising chains and key managers should follow in order to leverage both on the positive and negative feedback received through the survey.

In 2018, Amplifon launched a new pilot program in Germany to measure customer satisfaction and the experience level offered. The new program, designed on a customer-centric basis, aims to conduct a more in-depth customer satisfaction analysis and is in line with the global best practices in terms of customer experience measurement. The objective is to go beyond simple measurement of the NPS by also taking into consideration the customer's emotions, and thus observe different parameters in the various touchpoints along the customer journey. These insights, integrated with customer relationship analysis and management tools, will enable this feedback to be leveraged in order to further improve the service and experience offered. This pilot was launched at year-end and concerns the main moments of interaction with the customer. Plans for 2019 envisage its extension to the other touchpoints, along with the operational integration of the feedback.

Lastly, with regard to the Amplifon Product Experience, the Company has enlisted its customers to test its products and ensure that they accurately meet their specific requirements. In particular, Amplifon involved over 100 customers, potential customers and influencers (relatives and friends of people with hearing loss) in 12 focus groups, during which the technological expectations and needs were identified according to customers' age and phase of the customer journey. Specifically, the customers involved in the panel all expressed a favorable opinion regarding the APP, as they see it as an important step towards a more personalized and natural user experience.



### BEST IN ITALY - CHAMPIONS OF SERVICE

In 2018, for the fourth year in a row, Amplifon was awarded the "Gold Seal for Service" in the hearing centers category, coming first in the ranking "Best in Italy - Champions of Service", with a Service Experience Score three percentage points higher than 2017.

The "Best in Italy – Champions of Service" survey, conducted by the German Institute for Quality and Finance in partnership with Goethe University in Frankfurt, is based on the assessment of more than 200,000 consumers of 900 companies in Italy across 100 different sectors. The survey, which reached its fifth edition in 2018, represents the largest study in customer service in the Country.



## 3.2 Product and service availability

Besides being fully committed to delivering the best service, Amplifon is also deeply engaged in helping people with hearing loss and their families overcome the obstacles that prevent them from seeking advice or help for their hearing. That is why Amplifon invests in expanding its distribution network, that allows the Company to be always close to people with hearing loss, making it easier for everyone, including people with reduced mobility, to reach out to quality hearing care. To make stores even more accessible, shop windows and interiors are designed to reduce the anxiety normally associated with medical experiences and to put people at ease, ensuring that entering an Amplifon store becomes an entirely positive experience.

Digital communication channels have been growing in importance for Amplifon, as it constantly seeks to engage not only customers, but also the so-called influencers. Amplifon and the other brands are now present across several digital channels: web, mobile and social media. The Company is also devoting significant effort and resources into social networking as a means of spreading the messages of the brand and providing information on hearing health.

Amplifon's multichannel approach is aimed not only at supporting the business, but also at strengthening relationships and providing accurate information. The Company uses technologies to monitor and manage sentiment expressed through social media, with requests passed on to customer service or other relevant Company functions to address the signals collected online.

In 2018 new consumer websites were launched in Italy, France, United Kingdom and Germany. It is a new wave of re-styling arising from the need of alignment with Amplifon's strengthened positioning as an innovative company, caring to the requirements of the new over-55 generation that is always abreast with the times. The new web experience, part of the Company's marketing and communication strategy, enhances the digital touchpoints, leveraging the habits of millions of baby boomers.

In 2018 Amplifon consumer websites traffic increased by +59% over the prior year, with organic traffic up by 91%. The number of forms submitted online to book an appointment increased significantly as well (+34%).

Just as Amplifon's consumer websites allow customers and potential customers to easily use services such as the store locator, online booking of in-store appointments and online hearing tests, the Amplifon APP also offers, in addition to these, a series of high value-added services that enable customers to optimize the potential of their hearing solution and improve their experience. In particular, the APP allows to adjust the volume, change and customize programs, read the real time usage statistics of the hearing aid and use the advantages provided by the "Companion", a service developed by Amplifon which provides regular suggestions to customers on how to best use their hearing solution based on usage information and a proprietary artificial intelligence algorithm.

### 3.3 Customer safety

Amplifon continuously interacts with its stakeholders to guarantee and further improve customer safety in order to prevent any potential damage to clients, from the fitting phase to the daily use of the hearing aid, and to ensure full compliance with product and labelling regulatory requirements. Even if Amplifon has not adopted a formalized policy at Group level, the Company is strongly committed to applying all the appropriate mechanisms to ensure customer safety. As part of this process, Amplifon's Regulatory Affairs function dialogues with lawmakers, health agencies, professional scientific bodies and industry associations worldwide in order to support customer safety and ensure access to quality hearing care.

As far as product safety is concerned, manufacturers guarantee products are manufactured in compliance with all applicable directives, laws and regulations pertaining to the Countries where sales occur. They are also responsible for the multitude of tests to which hearing aids, as medical devices, are subject to, and which guarantee users' safety. Moreover, Amplifon provides a manual containing the safety instructions for the product's utilization and handling for each product category. All products have clear safety instruction and labelling on the package.

If there are concerns regarding the safety of hearing devices or related products sold in Amplifon stores, the Company requires suppliers to perform further analyses and requests third-party laboratories to assess the safety of products along with other technological or manufacturing issues. If, following these analyses, Amplifon customers' health and safety cannot be fully assured, the supplier is immediately asked to take action, which may end up in a product recall.

With regard to the service offered, in order to avoid risks to customers' safety that may occur in the fitting phase, Amplifon employs highly qualified hearing aid professionals and strongly invests in their training. In addition to that, all machinery and equipment that could have a potential impact on customer safety are subject to planned maintenance protocols with timing and methods defined by the manufacturers. The Company also has insurance in place for the rare instances in which incidents might occur.

In recent years, the Company has not reported any case of product recall or non-compliance with regulations and voluntary codes concerning the safety of products and services offered. In 2017, two additional anomalies were reported with regard to the batteries used in the hearing aids purchased with respect to those indicated in 2016. As a result of these anomalies, the Company conducted further checks and investigations that confirmed the battery safety. No new cases occurred in 2018.

The Amplifon APP deserves a special mention as it was developed internally and for which the Company is directly responsible in terms of safety and quality. The Amplifon APP has been awarded the CE mark and is consequently distributed in EU Countries as a medical device. To obtain this recognition, Amplifon adapted its Quality Management System and satisfied the requirements of ISO 13485:2016. This entailed the adoption of a series of operational procedures, some of which aim at preventing and managing incidents. These include:

- "Standard Operating Procedures Advisory Notice and Recall", to provide instructions on the use and recall of medical devices;
- "Standard Operating Procedures Customer Feedback and Complaint Handling", for the management of feedback and complaints related to digital services;
- "Standard Operating Procedures Vigilance and Incident Reporting", to assess whether the malfunctions of medical devices must be reported to the Competent Authority;
- "Standard Operating Procedure Corrective Action and Preventive Action Management", for the action management aimed at solving the problem and preventing it from recurring in the future.

Training is required by the above-mentioned procedures. Store personnel received specific training on use of the APP and complaints management. In particular, 1,062 hearing care professionals, along with 511 customer advisors and 14 call center staff participated to the courses in Italy.

Processes and suppliers involved in the development of the APP were subject to audit by a third party, which consequently confirmed their compliance with ISO 13485:2016. The certifying body also conducts annual audits in order to periodically verify the processes.

Lastly, as envisaged by the "Design and Development" procedure, the Amplifon APP is subject to risk assessment to be conducted any time a new version of the APP is released. Risk assessment consists of an evaluation of the risks for users resulting from the use of the APP and certifies that there are no health and safety risks for the customer, as confirmed by the last assessment carried out at the end of 2018.

### 3.4 Customer privacy and data protection

Protecting customers' personal information is essential for maintaining trust, particularly as people grow increasingly concerned about their privacy and the security of their personal data. Factors that could potentially lead to information being lost or deleted or getting into the wrong hands include cyber threats and human error.

Amplifon has equipped itself, both at Corporate and store level, with a series of management tools aimed at applying national regulation requirements regarding personal data protection in all Countries of operation. The Group Legal & Corporate Affairs function provides the necessary support to the entire Group in case of regulatory changes. What happened in 2017 is an example: the above-mentioned function supported the local management in the path towards compliance with the new EU Regulation 2016/679, namely the General Data Protection Regulation (GDPR), whose objective is to strengthen and harmonize data protection for all individuals within the European Union by introducing new provisions. In 2017, Amplifon carried out an analysis of compliance with both the EU Regulation and the local regulatory requirements on privacy, and defined a remediation plan to achieve full compliance with the Regulation. As a result, in 2018 the various necessary technical-organizational measures were implemented.

With regard to the APP, consent for the processing of data for marketing and profiling purposes was updated in compliance with regulations, and the user can withdraw such consent at any time.



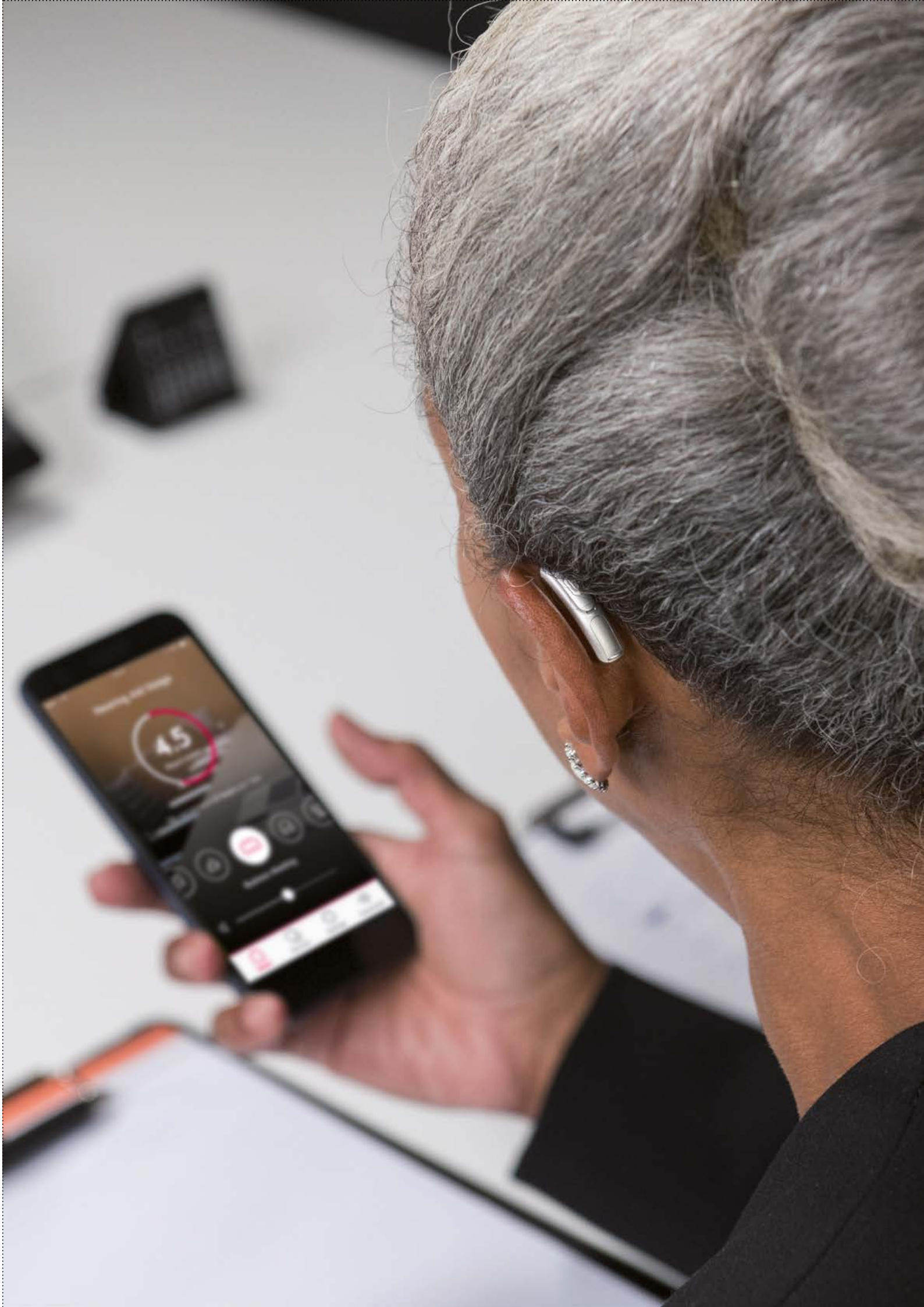
Amplifon's hearing care professionals and shop personnel are trained to always handle sensitive data with special care and, in accordance with Amplifon's Code of Ethics, all information and data acquired or processed by employees in the course of their work cannot be used for other purposes or be divulged.

Amplifon invests continuously in information security in order to protect the vast amount of sensitive customer information. IT security is managed at the Corporate level and Amplifon data and transactions are managed by three main data centers that guarantee high standards of quality and reliability. Amplifon has also selected a leading provider of information security, which manages security alerts in real time throughout the year 24 hours a day. In case of alarms, a team of specialists takes action to block attack or intrusion attempts by following specific procedures, in order to avoid any risk of loss or theft of sensitive corporate and customer data. Protection of all computers of Amplifon personnel will be further strengthened in 2019, thanks to the introduction of advanced threat control instruments that make use of artificial intelligence technologies; moreover, the incoming e-mails control system will also be improved in order to prevent phishing attempts.

Amplifon's strong internal culture ensures employees understand the critical nature of privacy and security risks and are aware of how to manage them. Policies that regulate the correct use of IT systems by employees are also in place. For instance, the Company has implemented a "Responsible use of IT" policy that establishes specific standards for the use of IT systems and related equipment in order to ensure the highest level of security and protection of confidential data. The policy has been distributed to all General Managers, executives and employees of the various Countries, and published on the Company Intranet.

To ensure the reliability of information provided online, Amplifon has implemented systems that alert in case of unauthorized access to the Company's pages on the main social networks. Every quarter, Amplifon distributes to the Leadership Team an IT security bulletin concerning threats and malware events, which summarizes the efficiency of its IT security systems.

In the three-year period 2016-2018, there were no complaints about breaches of customer privacy reported by control and external bodies. The Company's prevention systems have operated successfully, ensuring the protection level required. The majority of malware attacks were blocked, with the exception of an isolated event involving Miracle-Ear in 2017, which however did not have any noteworthy adverse consequences. In 2018, there was a minor event in the Netherlands (a pc stolen from a store) which, despite its minor entity, required the activation of the procedure envisaged by the GDPR. This event did not have any relevant effects.







amplifon





# People Empowerment

**Amplifon believes that its people, regardless their role within the organization, represent the most relevant asset for providing highly value-added hearing solutions and services. As a result, Amplifon strives to attract, train and retain the best talents as well as to guarantee a diverse, inclusive and innovative working environment.**



# 4. People Empowerment

## 4.1 Attraction and retention of key resources

### HR Strategy

Amplifon firmly believes that its people, regardless of the specific role played within the organization, are the most important asset to offer highly value-added hearing solutions and services. Attracting, developing and retaining the best talents is therefore essential to the Company's sustainable growth.

Amplifon currently does not have specific formalized policies regarding personnel. However, the Sustainability Policy provides a high level of commitment in this regard. Additionally, to implement such commitment Amplifon has adopted a global HR Strategy that defines objectives and guidelines relating to aspects linked to the material topic "attraction and retention of key resources" to be covered in the upcoming sections. Indeed, in recent years the fast growth of the Company, both organically and through acquisitions, coupled with the desire to further strengthen its leadership position on the global hearing care market through technological innovation have made it necessary the definition of a global HR Strategy. The HR strategy helps the Company to address the challenges posed by an increasingly complex scenario and effectively contribute to the achievement of business targets, leveraging on the professionalism and talent of all the people in whom the Company constantly invests. Early 2018, the new HR strategy, based on the three pillars described below, was therefore introduced.



The Company's HR organization has also been reviewed in line with this strategy. The corporate Centers of Expertise (CoE) are responsible for developing strategies, processes, policies and tools based on leading practices, providing end-to-end solutions to meet the various business needs. The HR Business Partners (HRBP) collaborate with the Company's leaders to drive business results through dedicated initiatives, ensuring deployment of HR processes and tools in the organization. More specifically, the Regional/Local HRBP are directly responsible for the resources within a specific region/country, regardless of the department to which the people belong, whilst the Functional HRBP guide the HR agenda by department, ensuring consistency especially on talent management, organization design and functional competences. The Centers of Expertise and HRBPs interact constantly to guarantee the best support to the business and alignment with business targets at all organizational, functional and geographic levels.

In 2018, several important activities were carried out with a significant impact at Group level on each pillar of the HR Strategy. As regards the High Performing Organization pillar, an in-depth analysis of the HR



processes in place was performed in order to identify and adopt even better-performing, homogeneous solutions and able to simplify and optimize the HR processes. This comes under the scope of the more extensive OneAmplifon Transformation global project, a multi-year program focused on the creation of an integrated and consistent global operating model aiming at boosting a profitable business growth and improving customer satisfaction through the standardization of HR, Finance and Procurement processes and the adoption of a single global IT platform. With specific reference to the HR process, the release of the new system, which will increase people accountability for the achievement of their objectives and their professional development plan, is expected for end 2019. Again, with reference to organizational aspects, in 2018, particular importance was assigned to the search for strategic competences, such as those relating to marketing, above all in digital marketing, CRM and retail, to assure Company growth.

As part of the People Excellence pillar, Amplifon has undertaken to ensure the integration of its Leadership Model within the organization: the Leadership Model is a system reshaping HR management processes, from recruiting to development, from employee induction to training. It comprises six key leadership skills, each of which is adapted to the various functions and professional levels. In 2018, each HR process was analyzed and redesigned in order to effectively integrate the Leadership Model and, starting from 2019, these new processes will be relaunched so as to achieve the People Excellence for all key populations. In addition to this, an in-depth assessment and mapping of competences and talents in support functions was performed at global level, so as to ensure adequate succession plans for key roles both at corporate and local level, thereby supporting future company growth.

Lastly, with reference to Winning Culture - the third pillar of the HR strategy - a great deal of effort has gone into establishing a unique strong Group identity - a "One Company" identity - a matter of immense importance for an organization like Amplifon, whose growth is significantly determined by acquisitions. To this end, in 2018, Amplifon's Corporate Culture, i.e. the set of Purpose, Mission, Values and Leadership Model which enable the organization to act as "One Company", was launched through a global engagement plan. The launch took place simultaneously in all Countries in which Amplifon operates and has been followed, during the year, by a series of global initiatives to allow people to assimilate the elements characterizing the Corporate Culture and understand how Amplifon's values are experienced every day in their professional activities. In addition to this and again with a view to building a Winning Culture, 2018 saw significant investment made in the development of a Digital Workplace: working tools and environment were redesigned and renovated in order to facilitate the adoption of new smart, cloud-based digital working and communication solutions, enabling all Amplifon people to go about their activities on-line, no longer experiencing any physical limitations, in a shared environment that, with the support of new, more efficient video conference tools, enable team working among multi-country working groups. In addition to this, a group of over 170 digital savvy people from different Countries - the Digital Ninjas - received specific training to foster changes in the working methods and spread awareness of the new mindset.

### **Amplifon people**

As at December 31<sup>st</sup>, 2018, Amplifon workforce numbers 14,197 people (on payroll and not on payroll), an increase of 3.1% compared to 2017. Of these, 8,737 are Amplifon's employees, 9.0% more than 2017. In general terms, employees represent the vast majority of Amplifon's workforce in all regions apart from the Americas, where franchisees' field force and staff are not directly employed by Amplifon. More specifically, in EMEA, APAC and Corporate, employees account for 58.3% of the total workforce compared to 3.3% of the Americas. Generally speaking, Amplifon workforce can be split in two main categories: Field Force, that is salespeople, and support functions, comprising people working in staff functions such as Marketing, HR, Finance and Procurement. Hearing care professionals make up the majority of Amplifon's global workforce not on payroll, accounting for approximately 69.2%. This is linked to the peculiarities of the different



business models with which Amplifon operates worldwide: indeed, in Countries where it is more efficient to operate through franchisees or agents, hearing care professionals make up a significant portion of the non-employee population. Hearing care professionals on payroll and not on payroll account for 54.4% of the total workforce.

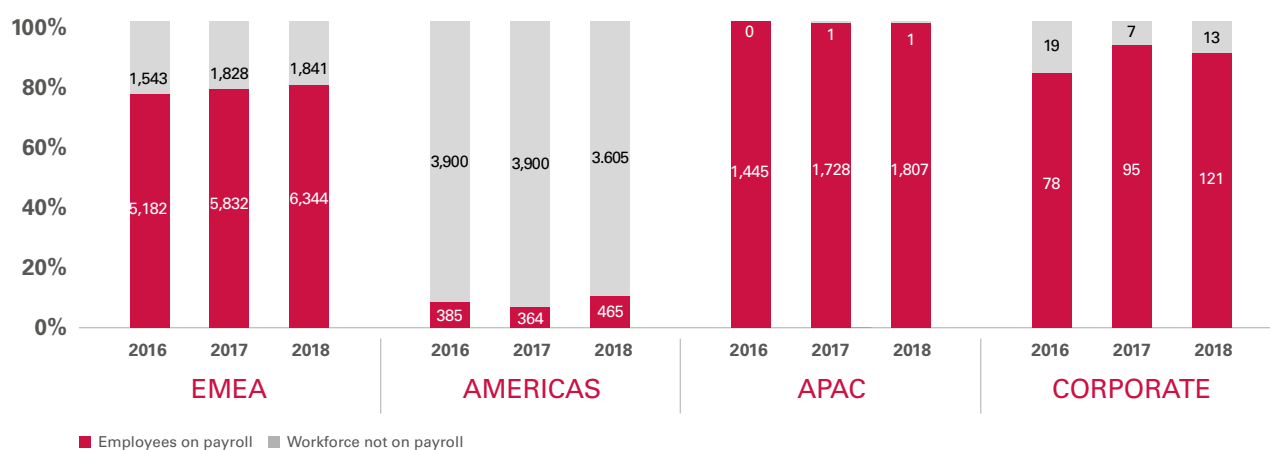
## Amplifon workforce: key figures

Workforce worldwide

14,197  Total employees and workforce not on payroll<sup>9</sup>

7,719  Total hearing care professionals

54.4%



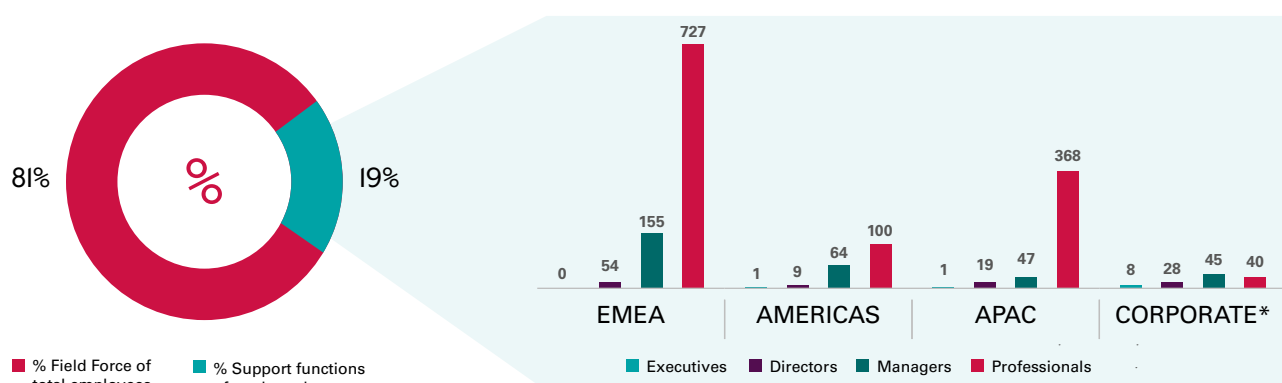
## Employees<sup>9</sup> by professional category and area

	EMEA			AMERICAS			APAC			CORPORATE			GROUP		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
HA specialists (qualified by law/certified)	2,137	2,397	2,713	63	60	92	530	640	688	0	0	0	2,730	3,097	3,493
HA specialists (apprentices or equivalents)	338	407	443	6	4	5	8	0	0	0	0	0	352	411	448
Other shop personnel	1,758	1,970	2,088	97	74	176	486	591	626	0	0	0	2,341	2,635	2,890
Area managers	158	162	164	2	17	18	49	57	58	0	0	0	209	236	240
<b>Total Field Force</b>	<b>4,391</b>	<b>4,936</b>	<b>5,408</b>	<b>168</b>	<b>155</b>	<b>291</b>	<b>1,073</b>	<b>1,288</b>	<b>1,372</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,632</b>	<b>6,379</b>	<b>7,071</b>
<b>Total support functions<sup>10</sup></b>	<b>791</b>	<b>896</b>	<b>936</b>	<b>217</b>	<b>209</b>	<b>174</b>	<b>372</b>	<b>440</b>	<b>435</b>	<b>78</b>	<b>95</b>	<b>121</b>	<b>1,458</b>	<b>1,640</b>	<b>1,666</b>
<b>Total employees</b>	<b>5,182</b>	<b>5,832</b>	<b>6,344</b>	<b>385</b>	<b>364</b>	<b>465</b>	<b>1,445</b>	<b>1,728</b>	<b>1,807</b>	<b>78</b>	<b>95</b>	<b>121</b>	<b>7,090</b>	<b>8,019</b>	<b>8,737</b>

<sup>9</sup> Data may differ from those indicated in the Consolidated Financial Statements as Turkey, Malta, China and GAES are not included in the scope of this Non-Financial Disclosure (for more details, please refer to the Note on methodology).

<sup>10</sup> The detail of the professional categories included in support functions is available only for 2018 figures, after a reclassification carried out in 2018.

### Composition of support functions in 2018<sup>10</sup>



\*Employees belonging to the support functions responsible for the centralized management of EMEA region are included within Corporate.

Out of the 8,737 Amplifon employees at end 2018, 71.5% are women, an increase compared to 2017. In particular, the incidence of women is higher among hearing care professionals and other shop personnel.

### Employees by professional category and gender

	2017		2018		2017		2018		
	N. employees	%	N. employees	%	N. employees	%	N. employees	%	
<b>Total Field Force</b>	6,379	79.5%	7,071	80.9%	<b>Total support functions</b>	1,640	20.5%	1,666	19.1%
<b>Men</b>	1,704	21.2%	1,831	21.0%	<b>Men</b>	628	7.8%	661	7.6%
<b>Women</b>	4,675	58.3%	5,240	60.0%	<b>Women</b>	1,012	12.6%	1,005	11.5%
HA specialists (qualified by law/certified)	3,097	38.6%	3,493	40.0%	Executives	-	-	10	0.1%
Men	1,173	14.6%	1,248	14.3%	Men	-	-	9	0.1%
Women	1,924	24.0%	2,245	25.7%	Women	-	-	1	0.0%
HA specialists (apprentices or equivalents)	411	5.1%	448	5.1%	Directors	-	-	110	1.3%
Men	153	1.9%	167	1.9%	Men	-	-	78	0.9%
Women	258	3.2%	281	3.2%	Women	-	-	32	0.4%
Other shop personnel	2,635	32.9%	2,890	33.1%	Managers	-	-	311	3.6%
Men	222	2.8%	264	3.0%	Men	-	-	165	1.9%
Women	2,413	30.1%	2,626	30.1%	Women	-	-	146	1.7%
Area managers	236	2.9%	240	2.7%	Professionals	-	-	1,235	14.1%
Men	156	1.9%	152	1.7%	Men	-	-	409	4.7%
Women	80	1.0%	88	1.0%	Women	-	-	826	9.5%

	2017		2018	
	N. employees	%	N. employees	%
<b>Total employees</b>				
Total men	2,332	29.1%	2,492	28.5%
Total women	5,687	70.9%	6,245	71.5%

In terms of age, the 30-50 group makes up the majority of employees (52.5%). The under-30s and over-50s age groups account for 25.7% and 21.8%, respectively.

## Employees by professional category and age

	2017		2018		2017		2018		
	N. employees	%	N. employees	%	N. employees	%	N. employees	%	
<b>Total Field Force</b>	<b>6,379</b>	<b>79.5%</b>	<b>7,071</b>	<b>80.9%</b>	<b>Total support functions</b>	<b>1,640</b>	<b>20.5%</b>	<b>1,666</b>	<b>19.1%</b>
<30	1,856	23.1%	1,944	22.3%	<30	338	4.2%	300	3.4%
30-50	3,278	40.9%	3,609	41.3%	30-50	876	10.9%	976	11.2%
>50	1,245	15.5%	1,518	17.4%	>50	426	5.3%	390	4.5%
HA specialists (qualified by law/certified)	3,097	38.6%	3,493	40.0%	Executives	-	-	10	0.1%
<30	1,061	13.2%	1,101	12.6%	<30	-	-	0	0.0%
30-50	1,588	19.8%	1,848	21.2%	30-50	-	-	9	0.1%
>50	488	6.1%	544	6.2%	>50	-	-	1	0.0%
HA specialists (apprentices or equivalents)	411	5.1%	448	5.1%	Directors	-	-	110	1.3%
<30	278	3.5%	339	3.9%	<30	-	-	0	0.0%
30-50	117	1.5%	94	1.1%	30-50	-	-	84	1.0%
>50	16	0.2%	15	0.2%	>50	-	-	26	0.3%
Other shop personnel	2,635	32.9%	2,890	33.1%	Managers	-	-	311	3.6%
<30	499	6.2%	488	5.6%	<30	-	-	8	0.1%
30-50	1,394	17.4%	1,496	17.1%	30-50	-	-	240	2.7%
>50	742	9.3%	906	10.4%	>50	-	-	63	0.7%
Area managers	236	2.9%	240	2.7%	Professionals	-	-	1,235	14.1%
<30	18	0.2%	16	0.2%	<30	-	-	292	3.3%
30-50	179	2.2%	171	2.0%	30-50	-	-	643	7.4%
>50	39	0.5%	53	0.6%	>50	-	-	300	3.4%

	2017		2018	
	N. employees	%	N. employees	%
<b>Total employees</b>				
Total <30	2,194	27.4%	2,244	25.7%
Total 30-50	4,154	51.8%	4,585	52.5%
Total >50	1,671	20.8%	1,908	21.8%

Amplifon is keen to ensure and strengthen job stability and to make long-term investment in human capital. To this end, 90.9% of employees have permanent contracts. The Company also aims to meet its employees' personal needs by offering part-time work plans. In 2018, 28.1% of employees opted for this solution, in line with 2017.

## Employees by type of contract of employment, gender and area

N. employees	EMEA		AMERICAS		APAC		CORPORATE		GROUP	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
<b>Permanent contract</b>	<b>5,131</b>	<b>5,598</b>	<b>361</b>	<b>464</b>	<b>1,702</b>	<b>1,759</b>	<b>93</b>	<b>119</b>	<b>7,287</b>	<b>7,940</b>
Men	1,481	1,568	106	120	480	484	55	70	2,122	2,242
Women	3,650	4,030	255	344	1,222	1,275	38	49	5,165	5,698
<b>Fixed term contract</b>	<b>701</b>	<b>746</b>	<b>3</b>	<b>1</b>	<b>26</b>	<b>48</b>	<b>2</b>	<b>2</b>	<b>732</b>	<b>797</b>
Men	202	241	1	1	7	6	0	2	210	250
Women	499	505	2	0	19	42	2	0	522	547

## Employees by type of employment and by gender

N. employees	2017	2018
<b>Full-time</b>	<b>5,727</b>	<b>6,285</b>
Men	2,059	2,242
Women	3,668	4,043
<b>Part-time</b>	<b>2,292</b>	<b>2,452</b>
Men	273	250
Women	2,019	2,202

National and organizational labor relations differ significantly from one Country to another, due to local laws. In Australia<sup>11</sup>, France, Spain, Italy, Belgium and the Netherlands all employees are covered by collective agreements or equivalents. For the Countries where there is no collective bargaining agreement in place, Amplifon establishes contract conditions directly with its employees, according to local best practices.

### Attracting valuable people

Amplifon is committed to attracting people who believe in innovation and excellence and who are excited by the idea of working in a dynamic international environment. More specifically, as part of the People Excellence pillar of the global HR strategy, Amplifon has developed a differentiated attraction strategy for its two key populations: hearing care professionals, since it is thanks to them that Amplifon can meet its customers' individual needs, and talents in the support functions (Marketing, IT, HR, etc.), who make it possible for the Company to deploy and carry out long-term growth strategies.

<sup>11</sup> In Australia, collective agreements or equivalents apply to specific populations only, such as call centre employees.

More in detail, in 2018, in order to make the attraction strategy even more effective, both the monitoring of digital channels and the opportunities to physically meet with students and potential candidates have been intensified and better exploited, relying on a unique, innovative employer branding.

As regards the digital channels, the Global Careers website, available in 6 different languages and 16 local sites, is a real strength of Amplifon. All these touchpoints are dedicated to communicating the attractiveness of the industry and the Company, and the professional growth opportunities and vacancies within the organization. Amplifon also makes intensive use of key social media channels to engage in a direct dialogue with candidates. In 2018, the number of followers on LinkedIn increased by 67% compared to the previous year and the growth was mostly organic. Currently around 24% of people onboarded come from digital channels.

The Global Careers website received over 323,000 visits in 2018. 38% of the people who visited it also explored Local Career Websites. 17% of the people who visited the Local Career Websites showed interest in open positions.

	2017	2018
 LinkedIn followers of Amplifon's pages and Group brands	~ 30,000	~ 50,000
 Facebook fans of Careers pages and Group brands	~ 20,000	~ 20,000

In addition to this, since 2017, approximately 60 employees in Italy, the USA, Spain, France and the Headquarters have been involved in an advocacy project, aimed at strengthening the Company's reputation as "employer of choice." The program leverages the engagement of Amplifon employees, inspiring them to spread the word about Amplifon on their personal social media. Thanks to them, it has been possible to enrich the pool of potential candidates and drive traffic to the Global and Local Careers Websites. In 2018 the program continued in line with 2017.

With regard to the opportunities for engaging in direct dialogue with potential candidates, Amplifon reaches talents on a local level by collaborating with universities in the development of business cases and mentorship programs, organizing job fairs and granting scholarships. More specifically, in 2018, more than 100 meetings were organized in universities and education institutions dedicated to both students of audiology and youngsters from other faculties interested in positions in support functions. In some Countries, the Company also offers internships through personalized and highly professional projects, organized with students, professors and education institutions. Finally, a special mention goes to the partnership established between Amplifon Corporate and Mentors4U, an Italian non-profit association established by a group of Italian Harvard Business School alumni, which aims to facilitate professional development and help young talents finding their way in the labor market. Thanks to this partnership, some university students – the mentees – have been given the possibility to meet, during various initiatives like coffee breaks and workshops, some of Amplifon's key figures – the mentors - and to discuss their future aspirations with them.

In 2018, Amplifon won some awards acknowledging the effectiveness of the employer branding strategies implemented. In Italy, Amplifon came in second in the classification of Italy's Most Attractive Italian Employer, in the category of Healthcare Equipment (Universum research) and rose 9 positions compared to 2017, coming in 7<sup>th</sup> in the social media category of the Potentialpark ranking. Another local example comes from Amplifon Germany, which in 2018 won the Top Employer award for the fourth year in a row.



Amplifon obtained two important acknowledgements also in America. The Top Work Places Award, received for the fifth year in a row, is the result of an annual survey run by StarTribune that investigates if employees are receiving the support, technology, leadership and communication they need to be successful in their career. Moreover, Amplifon USA was also appointed amongst the Top 1000 Companies for Millennial Women by Mogul, a technological platform designed for women to connect with mentors who share advice and professional opportunities. Finally, Bay Audiology in New Zealand was amongst the finalists of the 2018 Employee Excellence Awards, in the category of medium-large organizations.

Amplifon guarantees its employees around the world a customized benefit package based on regulatory requirements and market best practices of each of the Countries in which it operates. Every year the employee benefits offer is improved with the purpose, on the one hand, of exceeding local and international compliance requirements, positioning Amplifon as a fair employer for its people; on the other hand, employee benefits are considered a key lever in the Company's Total Reward Strategy, which is essential for increasing the ability to attract and retain talents.

An example is given by the flexible benefit program offered to Amplifon S.p.A.'s employees, which entails the assignment to each employee of an amount of points to be used to purchase goods and services within a large basket (education, entertainment, personal services, etc.). Amplifon North America offers all permanent employees employed for at least 20 hours a week an Employee Benefits Policy which includes health insurance, additional cover for dental, eye and ear, nose and throat care, a flexible spending account to cover additional care costs of the person, life insurance, coverage of transportation costs to reach the company headquarters, an integrative pension plan and a psychological counseling service.

## Investing in excellence

Amplifon dedicates considerable time and resources to training programs dedicated to its workforce, providing a wide range of learning and professional development opportunities to help employees realize their full potential.

In 2018, Amplifon invested in more than 266,000 training hours provided to its employees, an increase of 10.0% compared to 2017. The table below details the total training hours and average hours delivered to each employee by professional category during the year.

### Average training hours per employee by professional category

N. training hours	2017		2018	
	Total training hours	Average training hours	Total training hours	Average training hours
HA specialists (qualified by law/certified)	128,859	41.6	112,005	32.1
HA specialists (apprentices or equivalents)	25,631	62.4	54,735	122.2
Other shop personnel	59,346	22.5	70,932	24.5
Area managers	8,482	35.9	8,542	35.6
<b>Total training hours provided to Field Force</b>	<b>222,318</b>	<b>34.9</b>	<b>246,213</b>	<b>34.8</b>
Executives	-	-	160	16.0
Directors	-	-	1,672	15.2
Managers	-	-	5,224	16.8
Professionals	-	-	13,043	10.6
<b>Total training hours provided to support functions</b>	<b>19,838</b>	<b>11.9</b>	<b>20,099</b>	<b>12.1</b>
<b>Total training hours provided to employees</b>	<b>242,156</b>	<b>30.2</b>	<b>266,313</b>	<b>30.5</b>

Training delivered to employees averages out as 31.8 hours per man and 29.9 hours per woman. Training hours delivered to the whole workforce, and therefore including workforce not on payroll, was around 340,000 in 2018, decreasing compared to the 440,000 hours provided in 2017.

The Company offers ad hoc training and development programs, both at regional and country level, beside the global ones. In so doing, Amplifon is able to meet local needs and requirements while, at the same time, enabling employees to benefit from the best practices shared across its global network. The online and in-person courses it offers to its Field Force and support functions, with the support of individual coaching and mentoring sessions, focus on the soft and hard skills required to succeed in the retail hearing care arena. These include being able to offer the best customer experience and key leadership skills.

## For hearing care professionals

Amplifon ensures its network of hearing care professionals is best in class by employing passionate and talented people and always training them in cutting-edge tools and protocols. In 2018, all hearing care professionals received approximately 220,000 hours of training in total, or 28.5 hours per hearing care professional, a decrease compared to 2017 (around 317,000 training hours corresponding to 42 hours per hearing care professional). Such contraction is explained by the end of the roll-out of the Amplifon 360 protocol, whose related training plan significantly increased total training hours in the last couple of years.

An essential part of hearing care professional training is the Amplifon 360 store protocol<sup>12</sup>. Launched in 2015 in key Countries in EMEA, the program aims at supporting hearing care professionals in the implementation of the new customer experience model and proprietary protocol. In the three years period 2015-2018, Amplifon trained 3,636 hearing care professionals on the Amplifon 360 protocol, effectively achieving the objective to funnel and upgrade the expertise of Amplifon personnel, in order to reach a homogeneous, outstanding know-how across the network of stores by 2018.



#### AMPLIFON TRAINING CENTER

The Amplifon Training Centre in Germany is a local project dedicated to training future hearing care professionals. In 2017, Amplifon Germany established a new training centre entirely dedicated to its apprentices. The apprenticeship is, in fact, an essential cornerstone in Germany to encourage a new generation of hearing care professionals and seek to recruit new talent on an increasingly competitive labor market. To date, Amplifon Germany employs more than 270 apprentices, with the aim of hiring 100 more in 2019.

#### For talents

Amplifon is always keen to recognize those employees who show growth potential and the ability to cover key international positions, and is willing to invest in their professional development. To this population, Amplifon offers an extensive array of targeted training programs (aGO and the Compass programs) to suit each person's characteristics and aspirations. In addition to this, the Company also offers individuals the chance to increase their visibility through assignments to global projects. In this way, those who are able to adapt to ever-changing business environments are offered an accelerated development and growth path towards key roles or positions with increasing responsibility.

In 2018, Amplifon launched its first global process of Talent Review, substituting the previous T-Lab, and assessed all support functions globally. The process began at Country level and proceeded at regional and then at functional level, to be finalized with a calibration at global level. Such process has become part of Amplifon's HR processes and will be repeated annually. The outcome of the annual Talent Review process is the basis on which to draw all the talent development and succession planning for the Company and represents an important input also for other HR processes<sup>13</sup>.

In 2016, Amplifon launched the first edition of the Amplifon Global Onboarding (aGO), the program designed to support the most promising new hires lay a solid basis for a career in the Company through the understanding of Amplifon strategy and business model, and by mimicking cross-functional collaboration during a business game. During the third edition, held in 2018, approximately 50 young employees from 8 different Countries were given the opportunity to travel to the global headquarters in Milan where senior managers shared the Company strategy and its main business processes. The event also represented an occasion for networking and sharing ideas and experiences.

<sup>12</sup> For further information on the Amplifon 360 protocol, please refer to the 2017 Non-Financial Disclosure.

<sup>13</sup> Upon completion of the roll-out on support functions, the new process will also be implemented for the Field Force.

Green Compass and Blue Compass are international training programs aimed at boosting skills and encouraging the creation of an international network and knowledge exchange. Entirely designed by and for Amplifon, the Compass programs are developed in collaboration with prestigious English training institutes and target all support functions and roles within the Company. They are focused on strengthening the most advanced managerial, self-development and leadership skills by means of a mix of cutting-edge active learning methodologies - such as business cases, individual coaching sessions, experience activities, work on actual projects and 360° feedback management exercises - always closely linked to the Company business life and needs. In 2018, 27 colleagues from 12 Countries took part in the Blue Compass program with a view to improving their understanding of themselves as leaders, learning how to handle the ambiguity and complexity of leadership and set new development goals for the future. The Green Compass program, on the other hand, involved 23 talents from 9 different Countries, all of whom were early in their career and willing to learn how to manage their assignments with new approaches and responsibilities, thereby improving their performance now and in the future. Participants were divided up into three inter-functional teams that, with the help of an internal senior sponsor, discussed, analyzed and developed a business case for Amplifon.



#### **LEADERSHIP MATTERS PROGRAM**

The Leadership Matters Program implemented in New Zealand is a local project dedicated to training tomorrow's leaders. The program aims to build and develop the leadership skills of those who already head a team or will be called to do so within the next 12 months. In 2018, 20 people had the chance to improve their coaching skills, accountability and feedback management, thanks to four two-day-long interactive workshops organized within a period of 5 months, during which practical tools were provided to be used on a daily basis.

### **Recognition and reward**

Amplifon knows reward and recognition are key to attracting and retaining the best talent and is strongly committed to valuing the outstanding efforts and achievements of its workforce and driving a culture of continuous feedback. The Company also believes in pay for performance and in recognizing premium contribution in delivering both results and customer care. That is why the Amplifon remuneration policy is:

- closely focused and aligned to the Company's strategy;
- attractive, both globally and in local markets;
- simple and clear;
- designed to motivate people to achieve their targets, which are always challenging, but fair and clearly communicated.

### **Performance development**

Amplifon's continued success depends on the ability of employees to maintain and drive the highest standards of performance in their roles, in line with business aims and objectives. Effective two-way communication with employees is key to creating a high-performance culture focused on identification of clear individual goals and a continuous performance management process. For this reason, employees and managers are encouraged to meet regularly throughout the year to ensure continuous feedback, guidance, direction and

recognition. Amplifon reviews performance using transparent criteria that measure the achievement of the objectives and the core competencies needed to succeed in the hearing care retail arena. These competencies are: customer focus, team skills, operational excellence, leadership and orientation to value creation.

In 2018, 95.0% of employees received a performance review, a slight increase compared to 2017. More specifically, 94.4% of women and 96.4% of men received a performance review carried out by the First Line Manager, that is the management level directly above the employee who receives the performance review.

## Percentage of employees receiving a performance review<sup>14</sup>

	2017		2018	
	N. employees	%	N. employees	%
HA specialists (qualified by law/certified)	3,036	98.0%	3,323	95.1%
HA specialists (apprentices or equivalents)	186	45.3%	399	89.1%
Other shop personnel	2,544	96.5%	2,765	95.7%
Area managers	232	98.3%	227	94.6%
<b>Total Field Force</b>	<b>5,998</b>	<b>94.0%</b>	<b>6,714</b>	<b>95.0%</b>
Executives	-	-	10	100.0%
Directors	-	-	101	91.8%
Managers	-	-	299	96.1%
Professionals	-	-	1,174	95.1%
<b>Total support functions</b>	<b>1,537</b>	<b>93.7%</b>	<b>1,584</b>	<b>95.1%</b>
<b>Total employees</b>	<b>7,535</b>	<b>94.0%</b>	<b>8,298</b>	<b>95.0%</b>
Men	2,182	93.6%	2,403	96.4%
Women	5,353	94.1%	5,895	94.4%

In 2018, with the aim of guaranteeing the best employee experience throughout the globe, Amplifon redesigned the entire Performance Development Review process, which will be implemented for the support functions in all Countries from 2019<sup>15</sup>. To assist employees in understanding the new process and tools available for their development, training sessions have been organized starting already in 2018. More specifically, the training aims, on the one hand, to provide directors and managers with a clear understanding of their role in people's professional growth and, on the other, to provide professionals with strong awareness of the role they play in their own growth and development within Amplifon. In November 2018, a first training session was held to explain the main new features of the process, such as the impact of the integration of the Leadership Model, whilst the subsequent sessions will be devoted to explaining each key moment in the process when they occur.

## Stock Grant Performance Plan

Every year, Amplifon assigns shares not only to its top managers, but also to its talents and best-performing hearing care professionals all over the world, sharing the value it creates with the people who make it

<sup>14</sup> Performance review is carried out based on the results reached in the previous year and consequently related figures are reported with the reporting period of this Non-financial disclosure.

<sup>15</sup> Upon completion of the roll-out on support functions, the new plan will also be implemented for the Field Force.



possible. The table below summarizes the number of people who benefited from the company stock grant performance plan in 2018.

	2017	2018
Executive & senior manager	30	27
IKM <sup>16</sup>	35	41
Talents <sup>17</sup>	42	20
Sales managers	48	56
Hearing care professionals	328	350
<b>Total</b>	<b>481</b>	<b>494</b>

**Charles Holland Award**

Amplifon recognizes outstanding performances not just by individuals but also by store teams. Every year, Amplifon Corporate defines a number of prizes to be awarded in each Country. Country management selects the most appropriate KPIs. Amplifon’s 4,000+ stores (including direct stores and the Miracle-Ear network) are then rigorously assessed and the best 50 stores across the Company worldwide are rewarded with the Charles Holland Award, the Company’s highest recognition for excellence in store performance.



The prize is named after Amplifon’s founder and, since its introduction, hundreds of stores have been awarded the prestigious trophy and have also been celebrated, along with the top management of the Company, in special international events held either in Milan (for the winners in EMEA and Americas) or Australia (for those based in the APAC region).

## 4.2 Employee health and safety

Amplifon is committed to providing all employees with a safe workplace and views occupational health and safety as an essential component in fostering people’s overall wellbeing. As Amplifon business involves a low level of risk of injuries at work and considering the tools and procedures implemented to comply with local and regional regulations, to date Amplifon has not considered necessary to formalize global policies on health and safety. Furthermore, the Code of Ethics promotes a culture of safety in the workplace. Employee health and safety is managed by HR functions in operational terms and by the legal department in terms of compliance with local and regional regulations.

<sup>16</sup> IKMs (International Key Mangers) are a worldwide group of approximately 100 alike positions in terms of both business impact and international scope supporting the development and delivery of the Group’s strategic plan.

<sup>17</sup> Talents are those who are identified as such after the Group Talent Review process.

Although there is no global management system in place, Amplifon adopts local processes to identify risks to employees' health and safety, in accordance with current regulations. The risks determined in this type of analysis mainly relate to the activities carried out in commercial premises and offices, including secondary activities such as maintenance, and they are related to ergonomic aspects, handling of instruments, falling/slipping, electrical risk, fire and work-related stress. In the event of an accident at work, depending on the severity of the event, proper investigations are put in place with a view to identifying the cause and take suitable precautions accordingly to prevent such situations in the future.

In 2018, there were 32 injuries recorded, of which 3 classified as high-consequence work-related injuries (namely causing a long-term absence from work). No fatalities were recorded. As can be seen from the table below, the rate of frequency of recordable work-related injuries fell compared to 2017, due to the combined effect of the decrease in the cases of work-related injuries and the increase in worked hours. The rate of frequency of high-consequence work-related injuries, on the other hand, shows an increase as a result of the increase in the number of accidents in this category.

## Work-related injury rates

	2017	2018
Number of high-consequence work-related injuries	1	3
Number of recordable work-related injuries	37	32
Total worked hours	12,965,720	13,874,309
Rate of high-consequence work-related injuries	0.08	0.22
Rate of recordable work-related injuries	2.85	2.31

In 2018, 5 cases of work-related ill health were recorded, a decrease from the 9 cases recorded in 2017. The cases recorded are mainly connected with employees suffering from work-related stress disorders.

In addition to monitoring work-related injuries and ill health, Amplifon guarantees training to its employees on health and safety at work, as envisaged by legislation. Training content mainly includes a description of the risks in the workplace, the specific safety procedures, acknowledgement of national regulations and the roles and responsibilities defined internally in the organization.

Finally, in some Countries, Amplifon offers its employees special agreements granting access to private specialized medical services, as well as personal health promotion programs (for example, in Australia Amplifon provides information initiatives against smoking, whereas in the US it gives advice on correct nutrition) and additional insurance directly included in the employment contract, in some cases, or available on demand at special rates.





# Community Impact

**Amplifon's products and services have a high social impact on community worldwide. Amplifon is deeply committed to raising awareness around hearing health, with the ultimate goal of reducing the severe consequences related to hearing impairment and maximizing the positive impact of early intervention.**



# 5. Community Impact

## 5.1 Awareness and education

Amplifon's products and services have a high social impact on community worldwide. This is why the Company is deeply committed to raising awareness around hearing health, with the ultimate goal of reducing the severe consequences related to hearing impairment and maximizing the positive impact of early intervention. Amplifon undertakes to spread evidence-based information on hearing health topics and the prevention of hearing loss amongst the population. People experiencing hearing loss wait an average of 7 years before seeking professional hearing care, even though there is a serious risk of negative consequences for their quality of life. It is therefore essential that people are given the necessary tools and information to promptly identify and manage potential hearing loss. Although no Group policy has been developed regarding communication, the Sustainability Policy approved in 2018 formalizes Amplifon's commitment in this area; therefore, the possibility that in the future Group policies and/or procedures on communication aspects are put in place is not excluded.

### Awareness and prevention

Amplifon engages in extensive prevention and education activities, reaching out to individuals of all ages through targeted communication channels and campaigns. With the aim of raising awareness around hearing health from a young age, Amplifon has developed a successful communication strategy, connecting with young people through their preferred communication channels, namely social networks. Examples of this are the "prevention tips" published on Twitter or the information pills on Facebook. In addition to this, to mark World Hearing Day, Amplifon launches dedicated awareness campaigns on its social pages, to amplify the messages conveyed by the World Health Organization on problems linked to hearing and untreated hearing loss.

Amplifon also supports and organizes events targeted at youngsters. The One Day Without Sound™ campaign, for example, has become one of the milestones of Amplifon's prevention program in the US. The campaign is dedicated to helping people appreciate the difficulty of living with hearing loss.







### AMPLIFON AL SÓNAR+D

In June 2018, Amplifon headed to Barcelona to take part in Sónar +D, the international innovation and creativity congress that takes place along with the world-renowned pioneering Sónar Music Festival. In the Sónar+D Innovation Challenge (SIC), Amplifon launched a creative competition to explore disruptive methods for raising awareness of hearing loss. Cognitive scientists, data scientists and machine learning experts, creative developers, UX designers and audio processing experts were invited by Amplifon to put their suggestions forward for exploring innovative opportunities to raise awareness and design cutting-edge hearing care solutions. After a selection process, participants worked on-line on their project for five weeks and met in person for the first time at the Sónar+D, where they were given four days to finalize and present their prototype “haptic glove” to the public: a tactile glove that allows people to perceive sound through vibrations.



Watch the video



Amplifon is also committed to helping overcome the psychological obstacles and prejudices that prevent people with hearing loss from rediscovering the pleasures of hearing. To this end, Amplifon carries out targeted campaigns in all its social media channels with the aim of communicating the joy of a life full of sounds. In 2018, Amplifon Italy launched “Amplifon Smile”, an advocacy program involving Company clients taking on the role as spokespersons and telling their experience to help overcome individual and social barriers related to ageing, fighting stigma and facilitating the adoption of hearing solutions.

Amplifon awareness campaigns also target the so-called influencers (families and friends of people with hearing loss). Understanding what happens when loved ones show the first signs of hearing loss can help influencers to communicate better with them and look for assistance to improve their interaction with the world around them. Amplifon has an entire section of its websites dedicated to influencers, which it uses to provide information on how to identify family members or friends who may be experiencing hearing difficulties.

Amplifon is deeply committed to providing individuals with opportunities to learn about their hearing health situation. As well as conducting free hearing tests in its stores, Amplifon carries out awareness and education campaigns online and locally. In Italy and Switzerland, Amplifon buses bring hearing care professionals all over the Country to perform free hearing tests and educate communities on the correct actions to be undertaken. In 2018, Amplifon has taken this also to India, where for three months, two hearing care professionals and an assistant visited the cities of Ghaziabad, Noida and Gurgaon, performing more than 2,000 free hearing tests.



### “HEARING WORLD” IN SWITZERLAND AND AMPLIFON BUSES IN ITALY

Amplifon is committed to promoting the awareness of hearing health, by means of a lot of local activities, raising public awareness on the importance of prevention and screening for hearing loss and making sure people find out about their hearing loss before it is too late. In Switzerland, the “Hearing World” initiative involves two buses, a trailer, four big fair stands and two smaller stands, while in Italy a "tour" on all the national territory with 10 campers is the protagonist. These initiatives enable teams of hearing care professionals to attend public events and visit populated areas, such as trade fairs, commercial centers and city squares, where they perform free hearing tests without appointment and suggest, if needed, each person how to undertake a path of hearing care. Each bus is equipped with an isolated audiometry cabin which allows for more precise tests in case further tests are required.



#### “Hearing World”: key facts

- 2 buses, 1 trailer, 4 big fair stands
- 460 field activities in 2018 (exhibitions, events, promotion on public spaces) – 500 in 2017
- 2,182 yearly booked appointments in 2018 – 2,000 in 2017
- 750 follow-up leads by call center in 2018 – 800 in 2017

#### Amplifon buses in Italy: key facts

- 10 buses
- 350 field activities in 2018, with distribution of ad hoc material – 300 in 2017
- 7,000 new leads in 2018 – 13,000 in 2017
- 200 stores and hearing care professionals involved

### Amplifon Centre for Research and Studies

In its effort to improve hearing care and increase hearing health awareness, Amplifon works hard to improve and disseminate evidence-based information on hearing-related topics. It does this by targeting both the medical community and the general public. Thanks to the activities of Amplifon’s independent Centre for Research and Studies (CRS), the Company is able to promote clinical research, disseminate information on the progress and innovations in the fields of audiology and otology, and improve public understanding of the potential issues related to hearing loss.

Algernon Charles Holland founded the Amplifon CRS in 1971 in order to better address the Company’s investments and resources in professional development, research and education in the fields of audiology and otology. The aim of the CRS, first founded in Italy and since 1998 also active in other European Countries, has always been to contribute to the development and dissemination of scientific knowledge in co-operation with universities, scientific institutions and other national and international organizations. It does this primarily by sponsoring ENTs to go to the best universities and by promoting conferences,

courses and opportunities of networking where knowledge and best practice can be shared. In more than 45 years, the CRS has organized more than 700 medical-scientific courses and congresses. On average, each meeting was attended by 100 people.

### Conferences

Amplifon recognizes how important it is to actively participate in scientific conventions, as they provide a reference point for hearing health, services and prevention-related topics. Over recent years, there has been an increased focus on the potential correlation between hearing loss and other health issues, such as cognitive decline and diabetes, and on the impact of hearing care on quality of life. Each year, the CRS independent scientific board defines the topics to be addressed, and the agendas of the conferences Amplifon promotes, which usually target a specific hearing-related issue and include round tables and discussions on the hot topics for ENTs. In 2018, the International CRS Congress held in Bruges, Belgium, was dedicated to binaural hearing, sleep disorders and vertigo. The Congress offered an opportunity to interview Jan Wouters, university professor heading a group of researchers of the Experimental ENT Division at the Neurosciences Department of the University of Leuven (Belgium) about the evolutions expected in hearing care. Moreover, just like every year, the CRS took part in the 105<sup>th</sup> National Congress of the Italian Society of Otorhinolaryngology and Cervical-Facial Surgeons (SIO), this year held in Naples, to present at its stand not only the training opportunities, but also the new technology developed by Amplifon and designed to offer continuous support to people with hearing loss. Finally, in May, the CRS organized a meeting at its Milan headquarter with some of Italy's greatest hearing experts; the event was attended by Frank Lin, professor at the John Hopkins University of Baltimore and former member of the Obamacare Committee, who spoke about the near future and how hearing care may change.

### Course sponsorship

The CRS also supports the professional development of doctors and audiologists by collaborating with universities, through the sponsorship of courses and ENT learning programs at the local level. Like every year, in 2018, the CRS sponsored seven training events in Italy, held by prestigious national and international experts presenting the industry news. Always maintaining a point of contact with the past through the two traditional CRS courses, covering Audiovestibular Medicine and OSAS (Obstructive Sleep Apnea Syndrome), the educational courses featured innovative practical drills. The participants were in fact able to carry out hearing assessment tests, honing their patient care skills and learning about the new treatments available in medical imaging. For the first time, interactive clinical cases were used, allowing participants to take a leading role in clinical patient management through the use of dedicated technology and multimedia exchanges. Similar initiatives are also offered in other Countries: for example, in 2018, Amplifon organized 40 training courses in France, while in Spain, the Company delivered more than 150 events among courses and congresses dedicated to the medical community at regional and national level.

## Scholarships

Every year, the CRS in Italy and in France offer ENT doctors and PHD students six scholarships worth €7,000 each to finance specific projects related to hearing health. In order to guarantee impartiality, the scholarships are assigned by a Scientific Board on the basis of anonymous material. In 2018, the CRS financed the following projects:

- “Study of the cognitive burden and areas of brain activation when listening to music and to mother’s voice (in quiet and noise) in children with hearing loss fitted with an early cochlear implant”;
- “Protection of the acoustic nerve to improve hearing in patients fitted with cochlear implants”;
- “Intra-operative measures of auditory function during labyrinthectomies, translabyrinthine vestibular schwannoma removal, endolymphatic sac decompression and otologic surgery via a middle fossa or transmastoid approach”;
- “Speech understanding in noise with hearing aids”;
- “Study on mice related to the restoration of hearing through genetic therapy”;
- “Development of a 4.7T magnetic resonance imaging protocol for the evaluation of auditory cortical structures under acoustic, electrical and electroacoustic simulation in a surgical model of cochlear implantation in gerbils.”

## Library resources

In addition to the courses and conferences offered, the CRS supports the professional development of doctors and audiologists by providing access to one of the largest private libraries in the field of audiology and otorhinolaryngology, including the most important international journals in these sectors. A free bibliographical research service is available to physicians, with abstracts sent directly to applicants. The CRS also regularly analyses scientific papers to prepare summary reports to be shared with hearing care professionals. This ensures not only that hearing care professionals are always up-to-date but also that Amplifon’s protocol is aligned with the latest scientific developments. Some of the informative content developed by the CRS is available on the dedicated website. The CRS online platform is also a useful communication channel, providing information about all the activities supported by the CRS.

## Publications and research

Through the CRS, Amplifon also plays a direct part in the development and dissemination of scientific studies and the publication of consensus papers, i.e. short scientific studies written for general public. As regards the first, in 2018, the CRS launched a particularly important collaboration with the University of Messina for a joint research aimed at investigating the benefit of hearing aids through the examination of pre- and post-fitting electroencephalograms. The results will be known in 2019.

In addition to scientific research, in 2018 Amplifon was committed directly to studying the lifestyle of seniors over 55 years, promoting a research carried out by Ipsos in Italy, the United States, France, Germany and Australia on more than 6 thousand individuals. The results of the research, regarding in particular the relationship of senior citizens with technology, were presented at the Florence Wired Next Fest in September, whilst an overview of the target analyzed in terms of profile, role in society and generational gap, as well as their relationship with new technology was discussed during a dedicated press conference in Milan, in November.



## 5.2. Contribution to community healthcare

In line with its core expertise and strengths, Amplifon is deeply committed to improving the access of the most vulnerable communities to hearing care and to sharing knowledge, resources and best practices on hearing services and solutions around the world. Amplifon is also committed to fund-raising and volunteer work with the aim of returning value to the communities in which it operates.

Although these initiatives are not currently coordinated by a Group-level policy, the Sustainability Policy approved in 2018 formalizes Amplifon's commitment in this area. Additionally, the second half of 2018 saw the establishment of the Corporate Communication & CSR function, which will supervise the social initiatives carried out in the various Countries at Group level in a bid to maximize their impact on communities and optimize use of the Company's resources.

### Miracle-Ear Foundation

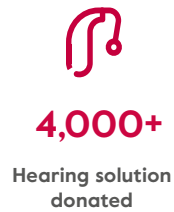
Today, the Miracle-Ear Foundation is one of Amplifon's most important channels for carrying out activities with a high social impact. Established in 1990, the aim of the former Miracle-Ear Children's Foundation was to empower and enhance the life experience of underserved children suffering from hearing loss in North America, by giving them the possibility of hearing again. Re-established as the "Miracle-Ear Foundation" in 2012, with the aim of serving a larger part of the community, the Foundation now provides hearing aids, follow-up care, and educational resources to those who do not have enough financial resources to meet their hearing health needs. Since 1990, the Miracle-Ear Foundation has donated more than 16,000 hearing aids and helped 9,000 adults and children. The Miracle-Ear Foundation's ongoing programs include the Gift of Sound™ Hearing Aid program, the Hear Again™ hearing aid recycling program, and the One Day Without Sound™ awareness campaign.

Through the Gift of Sound™ program, the Miracle-Ear Foundation donates hearing aids and provides free services to people and families in need. In 2018, more than 2,000 children and adults benefited from the support of the Foundation thanks to the commitment of more than 500 different stores, which donated 4,000 hearing aids. The Gift of Sound™ program is also made possible thanks to the numerous fund-raising events carried out during the year. For example, in 2018, an owner of some franchise stores of the Miracle-Ear network climbed Mount Kilimanjaro, dedicating her efforts to Gift of Sound™ and raising more than 56,000 dollars. The "5K Walk/Run for Your Senses" is another example. Organized by the Foundation and now at its sixth edition, the initiative has brought in more than 18,000 dollars. Another program that owes much to the contribution of Amplifon's customers is the Hear Again™ hearing aid recycling program, through which Miracle-Ear customers donate their no longer used hearing aids for recycling or reconditioning.

The One Day Without Sound™ awareness campaign has become a keystone of the Foundation's prevention program. This event, which takes place in May with the Better Hearing and Speech Month, is dedicated to helping individuals understand the difficulty of living with hearing loss, which is a particularly daunting challenge at school and in the workplace. During the One Day Without Sound™ campaign, participants are asked to wear earplugs to simulate a hearing deficit and directly experience what it is like to live without hearing. For the One Day Without Sound™ and awareness campaigns run in 2018, more than 480,000 sets of earplugs were distributed throughout the USA, together with best practice recommendations for preventing hearing loss. Through earned media or pro bono advertisement, the Foundation was able to further promote its educational and prevention messages, reaching more than two and a half million people.



With reference to the same activities, in 2017, the Miracle-Ear Foundation supported more than 1,500 children and adults, donated over 3,000 hearing aids and distributed around 100,000 sets of earplugs.



### Fundación Amplifon Iberica

Fundación Amplifon Iberica is another particularly important channel for Amplifon both providing assistance and carrying out research. Fundación Amplifon Iberica is a non-profit entity founded in December 2007 with the aim of improving hearing health and also pursuing research and innovation. More specifically, the foundation is active in three different areas: promotion of training in audiology, support in continuous development and innovation through research, prevention. Fundación Amplifon Iberica coordinates national and international projects, collaborating with various public and private entities in a bid to improve hearing health in all population groups. To this end, the foundation collaborates to projects in Equatorial Guinea, Burkina Faso, Mozambique and Algeria. Each project consists of starting-up an audiology unit, which is supplied with the equipment needed as well as support in training local staff. Additionally, through Obra Social, the foundation offers more disadvantaged groups the following services:

- free hearing test;
- funding for hearing aids;
- aid management and consultancy;
- hearing aid donation;
- adjustments for children.

Since 2007, Obra Social has given 6,000 people access to hearing care.

### Other social initiatives

The Miracle-Ear Foundation and Fundación Iberica are the most structured entities through which Amplifon pursues its corporate citizenship activities. However, there are many other initiatives carried out at local level, some of which are recurring and have been going on for several years, while others are more random. The recurring initiatives include the “Free to Ear Samoa” program, supported by Bay Audiology in New Zealand, “Amplicœur” of Amplifon France and the multi-year partnership of Beter Horen with the EarDrop Foundation (for more information, see the dedicated box).

Among the random initiatives there are numerous contributions towards fund-raising organized with other associations. For example, National Hearing Care supported the National Foundation for the Deaf and Hearing New Zealand in raising money by taking part in the Silent Leadership Challenge, whilst a team of Amplifon UK & EIRE took part in Ride London in favor of Action on Hearing Loss, a national charity. In addition to this, in almost all the Countries in which Amplifon operates, collaborations are in place with

local associations or NGOs to make a contribution towards facilitating access to hearing care rather than performing free hearing tests.

Finally, there is a series of noteworthy collaborations and social initiatives that, even if not intended for those suffering from hearing loss, are part of the potential that Amplifon can leverage on to generate a positive impact in the communities in which it operates. These include, for example, the UK Awards for Brave Britons conceived by Amplifon UK & EIRE to honor the courageous action of Charles Holland during the Second World War. These awards celebrate the successes of people of all ages and from all over the United Kingdom who have shown, like Charles Holland, acts of bravery and selflessness. The categories within which the prizes are awarded are:

- Service to the Country: awarded to current and former military personnel and emergency services for outstanding bravery in the service of their Country;
- Against all Odds: awarded to a member of the public who has overcome adversity to take on an exceptional challenge;
- Hero Pet: awarded to a dog or other animal who has transformed the life of their owner;
- Young Hero: awarded to a young person under 18 who has shown exceptional courage or taken on a difficult challenge;
- Charity Champion: awarded to a volunteer, charity worker or fundraiser who has made a real difference to a specific cause;
- Active Agers: awarded to an over-60, whose attitude and approach to ageing is inspirational.



**NEW ZEALAND: "FREE TO EAR SAMOA" PROGRAM**

Bay Audiology has been striving to help the Samoan population gain access to hearing care through the "Free to Ear Samoa" program since 2016. In Samoa, in fact, there are no qualified hearing care professionals and access to ENTs is very limited, which means that many of those suffering from hearing difficulties fail to receive the necessary care. In 2018, National Hearing Care also joined the "Free to Ear Samoa" project, thereby increasing the impact of the initiative.

In just three days, the teams of Bay Audiology and National Hearing Care performed a total of 349 free hearing tests, 212 free aspirations and 265 fittings with donated hearing aids. In 2017, the Bay Audiology team alone carried out 300 free hearing tests, 450 aspirations and 150 fitting.



**FRANCE: AMPLICŒUR**

Since 2002, Amplifon France has collaborated with Les Enfants Sourds du Cambodge, a non-profit organization that takes care of children suffering from hearing disabilities in Asia.

Each year Amplifon donates €15,000 in order to finance audiologic material and hearing aids for marginalized children suffering from hearing loss as well as the necessary training to local personnel. Amplifon's customers also contribute to the initiative by donating their no-longer-used hearing aids, which, upon reconditioning, have enabled many children to discover the joy of hearing.

**THE NETHERLANDS: COLLABORATION WITH THE EARDROP FOUNDATION**

Beter Horen proudly contributes to the work of the Eardrop Foundation, a non-profit organization founded in 1983 to provide deaf and hearing-impaired African children with the medical care they need to live a fulfilling life.

Beter Horen contributes to the work of the Eardrop Foundation by fundraising, collecting hearing aids donated by customers, and sending teams of hearing care professionals to train local staff on diagnostics and prevention activities.



In 2018, Beter Horen donated €20,000 as yearly donation, in addition to other contributions received from activities organized by the Company's staff. For example, a Beter Horen team took part in Gelre's Mooiste, a cycling tour in Gelderland, whilst a second group participated in the Rotterdam marathon, respectively raising €3,355 and €5,263 to be added to the EarDrop Foundation cause.

## HR Volunteers for a Day

In 2018, the HR Department launched the initiative “HR Volunteers for a Day”, which saw Amplifon HR staff from several Countries of the Group take part in local volunteer initiatives for one day, contributing to the wellbeing of the communities in which the Company operates. The initiatives were organized on a voluntary basis, in respect of the guidelines defined by the Corporate HR function. Such guidelines established that the association with which to collaborate should be identified based on the “Acting Responsibly” value of the Amplifon Corporate Culture and that all members of the HR function were to take part in such activity. By way of example, the HR team of National Hearing Care decided to offer their support during the Halloween event organized by the Deaf Children Australia association, helping handle the barbecue, organize the various activities and games that took place throughout the day and guaranteeing security. The HR team of Amplifon Germany instead spent their time with the deaf children of the Die Arche school in Hamburg, whilst those of Amplifon UK & EIRE helped the Children’s Adventure Farm Trust (a charity that organizes holidays and activities for ill, disabled and disadvantaged children and those who take care of family members), carrying out maintenance work on broken equipment so that all the structures were available and functional to welcome their guests. Finally, the People4People Club, which aims to provide mutual assistance to club members, was the association chosen by the HR team of Amplifon Poland.







# Ethical Behavior

**Amplifon is strongly committed to running its activities in full accordance with local regulatory frameworks and with the highest ethical and moral standards, thus actively working to prevent any type of unethical business practice.**



# 6. Ethical Behavior

## 6.1 The regulatory framework

Amplifon operates in the healthcare sector, where regulations differ from Country to Country and from one area of the industry to another. The most relevant areas to Amplifon are:

- hearing aids;
- professionals entitled to select, fit and sell hearing solutions;
- reimbursement conditions.

Amplifon has implemented a series of measures to ensure its ability to react in a timely manner to potential changes in regulation. Through establishment of the Regulatory Affairs function, Amplifon aims to reduce the impact of any unfavorable changes and maximize the benefits of favorable ones. Specifically, the Regulatory Affairs function has the objective of:

- developing and maintaining continuous monitoring of regulatory changes and their impacts in all Countries where the Company operates;
- defining responsibilities (locally or centrally) for managing current or potential issues;
- developing, with the support of outside experts, action plans to resolve issues at corporate or local level, monitoring their implementation;
- developing and coordinating the strategy to interact with institutions and actively participating in debates, associations and international conferences in order to make the voice of the sector heard.

In order to efficiently monitor the regulatory framework, the Regulatory Affairs function is centralized; consequently, at Corporate level, it defines guidelines and priorities, ensures alignment of communication with regard to the issues under its responsibility and maintains control over any action plans implemented. The Corporate function is supported by figures at regional and Country level that monitor the local context and operational implementation of the action plans directly. The Regulatory functions that oversee the Americas and APAC regions were further strengthened in 2018.

### Hearing aids

Hearing aids are considered medical devices in all the markets where Amplifon operates. Therefore, the devices sold must comply with several different national and international regulations on product standards, packaging and labelling requirements. The most relevant changes in regulation concerning hearing aids that occurred in 2018 are explained below.

**USA:** hearing devices are regulated by the Food and Drug Administration (FDA) and are classified as Class I medical devices, while wireless hearing aids are Class II. Both categories can be introduced into the market without pre-market approval (PMA), under an exemption in accordance with the 510(k) approval process. The FDA requires that information and instructions about hearing aids must be provided by a licensed hearing care professional to customers before any purchase.

In August 2017, the Over-the-Counter Hearing Aid Act, which was bundled as part of the Medical Device User Fee Amendments package and the FDA Reauthorization Act, passed into law. The new legislation provides that the FDA introduces a separate category of hearing aids approved for over-the-counter (OTC) sales to adults aged 18 and above with mild-to-moderate hearing loss without seeking treatment by a health professional. The FDA has three years from the adoption of the law to effectively apply the new regulation and set specific guidelines regarding safety standards, labelling and other technical requirements for OTC hearing aids. Only after this definition by the FDA OTCs can be introduced to market. Therefore, 2018 was a 1-year waiting, during which the hearing care industry acquired greater awareness. In particular, the American Academy of Audiology (AAA), the Academy of Doctor of Audiology (ADA), the American Speech-Language Hearing Association (ASHA) and the International Hearing Society (IHS) proposed recommendations to the FDA through a consensus paper, calling for an adequate balance between “safety and effectiveness” and access to hearing care. In the meantime, the FDA declared its desire to modernize the 510(k) approval process in order to keep up with the growing complexity of technology, which is rapidly evolving.

No updates were recorded with regard to the regulations on hearing aids in the EU Countries and in Australia in 2018.



#### HEARING AIDS AND PERSONAL SOUND AMPLIFICATION PRODUCTS (PSAP)

Hearing aids are medical devices subject to strict safety controls and are intended to improve hearing for individuals with hearing loss. In order to prevent potential hearing damage, hearing aids are customized according to individual needs and set up to ensure improvement in the perception of sounds within a safety threshold.

Personal sound amplification products (PSAPs) amplify sounds, but do not compensate hearing loss and are not medical devices. Unlike hearing aids, PSAPs are not fitted by a hearing care professional and do not require professional advice to be purchased. They may also breach the safety threshold of 120 dB in output and are thus be potentially harmful to hearing. For these very reasons, they cannot be sold to correct hearing loss. There are a variety of inner ear issues that only a hearing care professional or ENT can properly identify and address. As some of these may cause temporary or permanent hearing damage, bypassing professional hearing care can be risky and might lead to further hearing-related problems.

#### Professionals licensed to select, fit and sell hearing solutions

**EU COUNTRIES:** in order to ensure people’s safety, the European Medical Device Directive dictates that only professionals entitled under relevant national regulations can select, fit, sell and conduct immediate and ongoing inspections of the effectiveness of hearing solutions. The profession of hearing care specialist is therefore regulated in most EU Countries. The regulations of member States require different qualifications and education and assign different responsibilities to such professionals. In 2018,

the Board of Health Technicians in Medical Radiology and Technical, Rehabilitation and Prevention Professions was established in Italy, which includes the creation of the Register of Hearing Care Technicians. This new body will therefore enhance and affirm the professionalism of hearing care specialists, consequently benefiting citizens and customers.

**USA:** in the current regulatory scenario, the FDA requires hearing aids to be dispensed only by licensed individuals, such as audiologists or hearing aid dispensers. People older than 18 do not require a medical examination by an ENT to determine the cause of their hearing loss, whereas for underage hearing aid users, a medical evaluation is required prior to dispensing hearing devices. As mentioned above, the FDA Reauthorization Act has introduced an OTC category to address mild-to-moderate hearing loss that will be available over-the-counter. Without consultation, involvement or intervention of a hearing care professional or licensed dispenser. The FDA is responsible for the decision-making process for creation and introduction of the OTC category of hearing aids, within three years from conversion of the relative act into law.

**AUSTRALIA:** in order to be accredited by the Office of Hearing Services (the office responsible for managing and administering the Australian Government Hearing Services Program), hearing care professionals and audiometrists need to be members of an approved Australian professional body. Hearing care professionals hold university qualifications (Master of Clinical Audiology), while audiometrists attend courses provided by Technical And Further Education (TAFE) colleges. As far as the private market is concerned, there is no specific regulation applying to requirements for hearing aid dispensers. Nevertheless, in Australia, Amplifon only employs hearing care professionals or audiometrists that are members of an Australian professional body.

### **Reimbursement conditions**

The reimbursement conditions for hearing aids and related services differ according to the national health systems of the Countries where Amplifon operates. The possible reimbursement conditions are as follows:

- national health systems offering hearing aids free of charge to everyone (such as in the UK);
- national health systems offering partial to full reimbursement to eligible people having a certain level of hearing loss (such as in France and Italy);
- national health systems not offering reimbursement (such as Spain and the USA, with the exception of the Veterans Association).

Amplifon is committed to fostering efficient reimbursement systems and preventing unnecessary waste in all Countries where it operates. The Company is engaged in roundtable dialogues with health agencies and regulators to find a good balance between guaranteeing access to hearing care and maintaining economic sustainability of national health systems.





### THE NEW "RESTE À CHARGE ZERO" REIMBURSEMENT SYSTEM IN FRANCE

In France, on June 13<sup>th</sup>, 2018, President Macron announced an agreement for the reform of the reimbursement system in the optical, dental and hearing care sectors. The new system known as "*reste à charge zéro*" envisages, at the end of its implementation in 2021, the offer of solutions fully reimbursed by social assistance and by supplementary health insurance (so-called *mutuelles*). Today the majority of the French population does not have access to a fully reimbursed product and service. For the purposes of the new regulation, hearing aids are divided into two categories: the first category (Class I) includes hearing aids that will be fully covered by social assistance and supplementary health insurance; the second category (Class II) includes the remaining hearing solutions, which can be purchased at any price freely by the consumer through a "top-up" mechanism on the reimbursed portion. In addition, the reform establishes that the minimum hearing loss threshold for reimbursement eligibility is 30 dB and that the claim for reimbursement and guarantee can be renewed every 4 years. Lastly, a prescription by an ENT is required for the initial purchase only, after which the renewal can be made by a general practitioner as well. These provisions should therefore facilitate access to hearing care, while confirming customers' freedom of choice, giving them greater purchasing power, and the importance of the role of the hearing care professional, responsible for evaluation, selection and customization of the right hearing solution. The new system will be carried out gradually starting from 2019 to reach full implementation by 2021.

## 6.2 Anti-corruption

Amplifon is strongly committed to carrying out fair, correct, honest and ethical business worldwide, in accordance with the laws and regulations in force in all Countries in which it operates. The Company has zero tolerance towards corruption and provides specific rules for preventing and managing any corruption risks that may arise in conducting business transactions. Amplifon's people are required to operate in compliance with applicable anti-corruption laws and be aware of the Company values, standards and principles.

On July 26<sup>th</sup>, 2017, Amplifon's Board of Directors approved the Group Anti-corruption Policy, intended to ensure whether daily activities are carried out ethically, protecting value creation and those core values on which Company's activities are founded.

The provisions and guidelines contained in the Policy are inspired by the Company's culture and the behavioral principles set out in the Code of Ethics and have been developed by analyzing the activities that could potentially expose Amplifon to corruption risk. They promote the highest standards in all business dealings, the performance of activities based on loyalty, fairness, transparency, honesty and integrity, and they provide specific rules for preventing, detecting and managing corruption risks.

The areas potentially exposed to corruption risk were identified with the support of some of Company's managers and executives, as well as managers of some subsidiaries of the three regions.



The Group Risk & Compliance function, which has been supported by a qualified consulting company in drafting the Policy, is also in charge of facilitating its dissemination and respect, by means of communication, training and, subsequently, audit activities.

Following its approval, the Anti-corruption Policy was formally announced in 2017 and was the subject of training sessions for each of the three regions in which all General Managers and selected key managers took part. In 2018, the Group Risk & Compliance function rolled out the program for effective implementation of the Policy within the Group. Feedback was initially collected from the Countries in order to assess the local scenarios with respect to the guidelines provided by the Policy and thus define an implementation approach. Countries were subsequently asked to complete a readiness assessment survey to facilitate a comprehensive analysis of areas at risk of corruption and the relative preventive control measures and, where necessary, to draw up projects to implement the guidelines. In 2019, a training session will be held for the "focal points" (individuals responsible for implementing the Policy locally), during which the Group's current status will be shared, existing difficulties and priorities will be addressed and the compliance objectives still to be achieved will be validated. In line with the progress of local implementation, a Group whistleblowing system will be introduced to allow all employees and third parties to anonymously report any deviant or non-compliant behavior with respect to the Policy and to laws and regulations. Note that a whistleblowing system is already in place in Italy, as envisaged by the Organizational Model.

It is important to note that, in addition to the Group's Anti-Corruption Policy, Amplifon:

- has defined a Code of Ethics, which has been distributed in all Countries in which it operates and prohibits corruption practices, illegitimate favors, collusive behavior and undue pressure exerted directly and/or through third parties. All Amplifon's subsidiaries, stores and business partners must respect the Code of Ethics;
- adopted, in Italy, the Internal Organizational Model pursuant to Italian Legislative Decree 231/2001, which regulates sensitive activities through control protocols and specific procedures for activities entailing relationships with the medical community;
- created in key European Countries a function to coordinate relationships with the medical community, with a view to disseminating information and providing professional and scientific support.

No cases of corruption occurred during the three-year period 2016-2018. Only one incident was reported, in Italy, due to non-respect of the internal policies by an Area Manager. In line with its zero tolerance policy, Amplifon decided to terminate its relationship with the employee in question.

## 6.3 Business ethic and fair competition

Amplifon is strongly committed to ensuring ethical behavior. The entire workforce is expected to uphold the high standards set out in the Company's Code of Ethics. To this end, a coherent culture plays a central role in addressing behaviors and tackling unexpected events in a transparent and shared manner.

### The internal control and risk management system

Creating value always implies taking risks and managing uncertainty. In a constantly evolving business environment characterized by volatile and unstable market conditions, risk management is even more important and requires organizations to identify risks and take advantage of opportunities.

Risk management is an ongoing activity which, based on the initial identification and assessment of the events that could negatively impact the ability of the Company and its subsidiaries to reach targets (particularly strategic goals), includes the definition of which steps to be taken to respond to the risk, implementation and subsequent updates which take place at least once a year at a Group level. Risk management allows for better informed business decisions, reduces the gaps between actual results and objectives and, lastly, nurtures a competitive advantage.

This activity is supported by the Group Risk & Compliance function and involves the Group's top management, the Heads of the three regions, all Country General Managers and their local management teams.

The following scheme shows the internal risk annual identification process that allows, by means of specific activities and analysis, to identify the main risks from a Group perspective, to verify the consistency between the risks identified and the strategy (whenever there is coherence, risk management leads to "assurance" on the accomplishment of strategic objectives), and to facilitate risk management also at local level.

### Risk assessment process

#### COUNTRY LEVEL

**Country functions phase:** at least 3 risks for each of the Company's functions are identified, described, assessed and managed. **Main contributor is the function manager.**



**Country phase:** the top 5 risks at Country level are selected among the functional ones. **The contributor is the management team under the responsibility of the General Manager.**

#### CORPORATE LEVEL

**Corporate functions phase:** at least 3 risks for each of the Company's functions are identified, described, assessed and managed. **Main contributor are the heads of the Corporate's functions.**



The “Group Risks Map” is presented to the Risk, Control and Sustainability Committee and to the Board of Directors, as envisaged by the Corporate Governance Code issued by the Corporate Governance Committee of the Italian Stock Exchange.

The Group risks identified as the most important are subject to in-depth examination with the managers of the Country (or Countries) in question, in order to gain a more complete understanding of the underlying dynamics, the mitigation measures and the potential quantitative impacts. These risks are also subject to monitoring during the year.

The internal control system also consists of the set of rules, procedures and organizational structures designed to ensure, through proper identification, assessment, management and monitoring of primary risks, the following:

- safeguarding of corporate assets;
- efficiency and efficacy of corporate operations;
- reliability of financial information;
- compliance with laws and regulations.

In 2018, the Board of Directors, also based on the contribution of the Risk, Control and Sustainability Committee and as recommended by the Corporate Governance Code, expressed an opinion on the adequacy, efficiency and actual functioning of the internal control and risk management system.

### **Competitive behavior and responsible marketing**

The Company faces competition from various domestic and multinational companies offering hearing aids, including specialty, non-specialty (such as optical chains or pharmacies) and online players. Amplifon responds to competition by continually monitoring market changes and focusing its investment in differentiating its services and new acquisitions, always within a framework of fair competition. The Group’s Legal & Corporate Affairs function is responsible for ensuring that the Company’s competitive behavior takes place in accordance with the ethical principles and applicable laws.

Responsible and reliable communication with customers is another key aspect of Amplifon’s business ethics in order to prevent any risk of non-compliance with existing legislative regulations as well as any damage to reputation. No formalized policy on responsible communication has been implemented; however, the Company’s Code of Ethics dictates that all employees directly in contact with customers must provide accurate and comprehensive information regarding products and services, as well as clearly explain the information provided in advertising campaigns or otherwise, so that customers are able to make informed decisions. Moreover, in 2017, Amplifon selected a single creative agency and media partner for all its EMEA campaigns, in order to align its marketing, advertising and communication strategies and thereby raise its brand awareness with a greater efficiency. In 2018, Amplifon launched the “Old or not old?” advertising campaign in 7 EMEA Countries, a video-manifesto arising from Amplifon’s desire to provide a different perspective of the Senior Society (55+), challenging stereotypes around ageing and hearing aids and talking about a new generation that is abreast with the times, that does not give up on an active lifestyle and that looks to the future with optimism. Hearing solutions therefore become a companion and a facilitator of the active life of the Active Agers generation, which Amplifon has decided to place at the center of its communication campaigns in order to overcome the individual and social barriers linked to ageing aimed at normalizing the use of innovative and customized hearing solutions, benefiting the entire industry. Amplifon’s video-manifesto was voted best advertising campaign in the category “corporate image & insurance craft”, and also received two bronzes in the

categories “device & diagnosis campaign” and “corporate image & insurance campaign” at the Lisbon Health International Ad Festival, international awards dedicated to communications and advertising campaigns as well as design projects in the health sector.

In addition, thanks to the launch of the Amplifon product line, it has been also possible to carry out communications activities on products as well, thereby allowing Amplifon to leverage the latter in order to communicate a complete value proposition made up of product, service and experience to increase penetration.

In 2016, Amplifon received complaints from a competitor regarding its advertising campaigns in the UK and in the Netherlands, which did not lead to any sanctions. In one case, the court ruled in Amplifon’s favour; the other case was resolved directly between the parties involved. In 2017 and 2018, Amplifon did not receive any new complaints with regard to its advertising communications.

## 6.4 Energy efficiency and waste management

Despite being a service company rather than an industrial one, Amplifon is alert to environmental issues and to the challenges posed by climate change. The Company realizes that, for any forward-looking corporate responsibility strategy to be effective, it must encompass environmental footprint assessment activities intended to ensure the utmost environmental respect. Although not having implemented specific Group policies on environmental issues, Amplifon has started a process to monitor the environmental performance of its headquarters and the network of direct shops. In this regard, in 2018 Amplifon formalized this commitment in the Sustainability Policy. Aiming at raising awareness around these issues and reinforcing the process of environmental data collection, during 2018, Amplifon has organized specific training sessions dedicated to environmental reporting, involving responsible figures specifically appointed for each Country of the Group.

In line with previous year, heating/cooling system and lighting of headquarters and direct shops make up the majority of energy consumption. As for electricity consumption for headquarters, in 2018 consumption was equal to 13,587 GJ - of which 10% certified as coming from renewable energy sources -, an increase of 5% compared to the 12,882 GJ of 2017. Direct shops contributed a further 73,572 GJ, an increase of about 4% compared to the 70,981 GJ in 2017, mainly due to the network expansion.

In 2018 Amplifon started to monitor fuel consumption related to the heating of the direct shops network. For 2018, total consumption was equal to 22,367 GJ, mainly due to the consumption of natural gas (95%) and, to a lesser extent, to the consumption of burning oil. With regard to fuel consumption for headquarters, there is a slight increase in natural gas consumption. Finally, diesel and gasoline consumption related to the Company's car fleet is in line with 2017.

## Energy consumption within the organization (GJ)

	Headquarters			Direct shops		
	2016	2017	2018	2016	2017	2018
<b>Direct energy consumption from non-renewable source</b>	<b>46,091</b>	<b>57,467</b>	<b>59,709</b>	-	-	<b>22,367</b>
Natural gas	6,544	7,888	7,933	-	-	21,320
Burning oil	-	102	103	-	-	1,047
Diesel (car fleet – HQs only)	32,360	39,003	38,462	-	-	-
Gasoline (car fleet – HQs only)	7,187	10,474	13,211	-	-	-
<b>Indirect energy consumption</b>	<b>13,961</b>	<b>13,258</b>	<b>13,967</b>	<b>63,393</b>	<b>70,981</b>	<b>73,572</b>
Purchased electricity from renewable sources	-	1,268	1,221	-	-	14,513
Purchased electricity from non-renewable sources	13,577	11,614	12,366	63,393	70,981	59,059
District heating	385	376	380	-	-	-
<b>Total energy consumption</b>	<b>60,052</b>	<b>70,725</b>	<b>73,676</b>	<b>63,393</b>	<b>70,981</b>	<b>95,940</b>

The Company is also striving to understand its carbon footprint by keeping track of direct and indirect emissions associated with fuel consumption for the Company's car fleet, refrigerant gas for cooling systems, energy consumption (electricity and heating) and business travels. In 2018, increase in direct emissions related to heating increased, mainly because of the contribution of direct shops for which, for 2016 and 2017, data was not available. As regards the emissions associated to the electricity purchased, the table below shows the values calculated using both the Location-based and the Market-based method, as required by the GRI Standards. The first reflects the average intensity of the emissions related to the networks from which the energy is supplied, while the second shows the emissions related to electricity that the Company has decided to purchase.

## Greenhouse gas emissions

<b>Scope 1 (Direct emissions – tons of CO<sub>2</sub>e)</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
From fuels used for the car fleet	3,463	4,006	4,085
From fuels used for heating in the headquarters	321	390	410
From fuels used for heating in the direct shops	-	-	1,154
From refrigerant gas used for cooling systems in the headquarters and the direct shops	133*	230*	531
<b>Total</b>	<b>3,918</b>	<b>4,626</b>	<b>6,180</b>

\* 2016 and 2017 data refer to refrigerant gas in the headquarters only.

<b>Scope 2 (Indirect emissions – tons of CO<sub>2</sub>e)</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
From electricity purchased for headquarters (Location-based)	1,583	1,546	1,598
From electricity purchased for headquarters (Market-based)	1,943	1,686	1,709
From electricity purchased for direct shops (Location-based)	6,333	6,822	6,901
From electricity purchased for direct shops (Market-based)	7,572	8,168	5,615
From district heating for headquarters	22	21	20
<b>Total (Location-based)</b>	<b>7,938</b>	<b>8,390</b>	<b>8,519</b>
<b>Total (Market-based)</b>	<b>9,537</b>	<b>9,875</b>	<b>7,343</b>



<b>Scope 3 (Other indirect emissions – tons of CO<sub>2</sub>e)</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Business travels by airplane	1,005	1,930	1,941
Business travels by train	60	84	90
Business travels by car (hiring)	86	109	126
<b>Total</b>	<b>1,151</b>	<b>2,123</b>	<b>2,157</b>

In addition to direct and indirect energy consumption and related emissions, Amplifon has identified waste management as a significant area with regard to environmental impact. Consequently, in 2017, Amplifon began monitoring its waste production in headquarters, with a view to evaluating any strategies to reduce said production. With regard to the disposal method, which is strongly linked to local waste management systems, Amplifon sends to recycling over 84% of hazardous waste and 58% of non-hazardous waste. The remaining part is sent mostly to landfill. It should also be noted that the increase in waste for 2018 is mostly due to extraordinary activities and, in particular, to the refurbishment of the Milan headquarters.

### Waste production within the headquarters (Kg)

	<b>2016</b>	<b>2017</b>	<b>2018</b>
Hazardous waste	13,415	13,983	67,544
Non-hazardous waste	138,505	124,790	150,615

# Note on methodology

The consolidated Non-Financial Disclosure of Amplifon Group represents the response to the Italian Legislative Decree No 254 of December 30<sup>th</sup>, 2016 concerning the communication of non-financial and diversity information on five areas: environmental, social, anti-corruption and anti-bribery, relating to personnel and respect for human rights. More specifically, the document shows Amplifon's performance on the non-financial material aspects both for the Group and for its stakeholders (For further information: Section 1.2 Materiality analysis). The document has been drafted according to the GRI Standards, edited by the Global Reporting Initiative (GRI) in 2016. Based on the current reporting level of the General Standard Disclosures, the Management Approach and the Specific Standard Disclosures associated with the material aspects, the level of compliance with GRI Standards is "In accordance - Core option". It should also be noted that, as regards the GRI 403 Topic (Occupational Health and Safety), Amplifon has adopted the most updated version released in 2018 by the GRI.

## Scope of reporting

This consolidated Non-Financial Disclosure, which includes the description of the main initiatives undertaken in 2018 (calendar year) as well as the deviation of the main KPIs compared to previous years, represents the second edition published by Amplifon (the third one in sustainability reporting, considering the 2016 Sustainability Report). This document also includes initiatives done in previous years, but with outcomes in 2018, and events of particular interest for 2019 already known at the date of closing of this Disclosure.

The reporting scope, consistently with the requirements of Legislative Decree No 254/2016, coincides with that of the Consolidated Financial Statement that includes in full the consolidated Companies for financial reporting at December 31<sup>st</sup>, 2018, except for the following Companies:

- Legal entities belonging to GAES Group, whose acquisition was announced in July 2018 and with closing in December 2018 (GAES S.A., Instituto Valenciano De La Sordera S.L., Microson S.A., Blambos S.L., Circulo Famex 25 S.L., Centro de Audioprotesistas Españoles S.L., Centre Auditiu Badalona S.L., Centre Auditiu Vic S.L., Oidos Audionatur S.L., Nostar 22 S.L., Noalia Plus S.L., Nicer Beta S.L., Boston Audit S.L., Instituto Gallego de la Audición S.L., Centralia S.L., Centro Auditivo Benidorm S.L., Servicios Audiologicos Castilla y Leon S.L., GAES Portugal S.A., GAES S.A. Chile, GAES Servicios Corporativo de Latinoamerica Spa, GAES S.A. Argentina, GAES Colombia SAS, Soluciones Audiologicas de Colombia SAS, Audiovital S.A., Centros Auditivos Gaes Mexico sa de cv, Compañía de Audiología y Servicios Medicos sa de cv, GAES Panama S.A.);
- Beijing Cohesion Hearing Science & Technology (China), joint venture announced in November 2019;
- Makstone Isitme Ürünleri Perakende Satis A.S. (Turkey);
- Amplifon Cell (Malta);
- NHanCe Hearing Care LLP (India);
- Amplifon South America Holding LTDA (Brazil).

This exclusion is not relevant to understand the Company's activities, its performance, its results and the impact it produces.

The reporting scope is consistent with the contents above, except for some data, where specific limitations are explicitly reported in the text. No significant changes in Company ownership were

registered in the scope and reporting period considered, net of the acquisitions made during the year which do not fall within the scope of this document for 2018, as previously indicated.

For greater clarity and to facilitate the comparison, the aspects defined by the GRI Standards have been reconciled with the areas of intervention of the Decree, reporting for each of them the relative perimeter and possible limitations.

GRI Aspect	Link with Decree 254/2016	Aspect boundary		Limitation of aspect boundary	
		Inside	Outside	Inside	Outside
Anti-competitive Behavior	Social aspects	Group	-	-	-
Socioeconomic Compliance	Social aspects	Group	-	-	-
Customer Health and Safety	Social aspects	Group	Hearing aid manufacturers; franchisees; corporate shops on a commission basis	-	Partially covered for manufacturers
Customer Privacy	Social aspects	Group	-	-	-
Economic Performance	Social aspects	Group	-	-	-
Marketing and Labeling	Social aspects	Group	Manufacturers	-	Partially covered for manufacturers
Public Policy	Social aspects	Group	-	-	-
Employment	Personnel management	Group	Franchisees; corporate shops on a commission basis	-	Not covered for franchisees
Training and Education	Personnel management	Group	Franchisees; corporate shops on a commission basis	-	-
Occupational Health and Safety	Personnel management	Group	Hearing aid manufacturers; franchisees; corporate shops on a commission basis	Partial reporting for Germany <sup>18</sup> and The Netherlands <sup>19</sup>	Not covered for manufacturers and workforce not on payroll
Anti-corruption	Anti-corruption	Group	-	-	-
Environmental Compliance	Environmental aspects	Group	-	-	-
Effluents and Waste	Environmental aspects	Group	Hearing aid manufacturers; franchisees; corporate shops on a commission basis	Reporting excluded to direct shops and headquarters of Egypt <sup>20</sup> and Poland <sup>21</sup>	Not covered for manufacturers and indirect shops
Energy	Environmental aspects	Group	Hearing aid manufacturers; franchisees; corporate shops on a commission basis	Reporting excluded to headquarters of Canada <sup>22</sup> and Egypt <sup>20</sup>	Not covered for manufacturers and indirect shops

<sup>18</sup> Amplifon Deutschland GmbH, Focus Hören AG, Focus Hören Deutschland GmbH, Egger Hörgeräte + Gehörschutz GmbH Kempten, Egger Hörgeräte + Gehörschutz Oberstdorf GmbH, Egger Hörgeräte + Gehörschutz GmbH, Amberg.

<sup>19</sup> Amplifon Nederland BV, Auditech BV, Electro Medical Instruments BV, Beter Horen BV, Amplifon Customer Care Service BV.

<sup>20</sup> Amplifon Middle East SAE.

<sup>21</sup> Amplifon Poland Sp.z o.o.

<sup>22</sup> Miracle Ear Canada Ltd., Boreal Hearing Centre Inc., Sound Authority, Inc., 2279662 Ontario Ltd, 6793798 Manitoba Ltd; 2332325 Ontario Ltd

The contents referring to the outside boundary in the previous table are qualitative aspects useful for understanding the scope of the business with reference to its main stakeholders, but do not provide quantitative data that fall within the scope of consolidation. Furthermore, the limitations on reporting with respect to the inside boundary do not compromise the representativeness of the results compared to the requirements of the Legislative Decree 254/2016.

## Quality assurance principles for the Non-Financial Disclosure

This document highlights Amplifon's strengths and weaknesses, as well as its prospects for improvement. Data was collected with the objective of giving a balanced and clear picture of the Company's actions and characteristics. Information and quantitative data collection process is structured in such a way as to guarantee that data can be compared over years, in order to enable an accurate and complete overview of Amplifon's performance to all stakeholders.

The limit assurance engagement of this consolidated Non-Financial Disclosure has been entrusted to PricewaterhouseCoopers S.p.A., the Auditor of the Amplifon Group, whose limited audit report is available on p. 103.

## Reporting process and calculation criteria

The definition of the content of the 2018 consolidated Non-Financial Disclosure involved all the key Company functions, who worked in close collaboration and under the coordination of the Investor Relations team.

The performance indicators were collected on an annual basis and the reporting frequency is annual. More specifically, reported data were selected on the basis of the materiality analysis (for details: Section 1.2 Materiality analysis) and gathered according to a process of data and information collection, aggregation and communication at Group level, tracked in a specific non-financial reporting Manual aimed at standardizing the process of non-financial data collection. In 2018, the Manual was updated in order to support the switch to the GRI Standards.

It should also be noted that, as a result of the transition to the 2018 version of the GRI Disclosure 403 related to Occupational Health and Safety, the 2017 data have been recalculated to allow comparability over the two-year period.

Furthermore, in order to ensure the best accuracy of the information reported, the environmental data for 2017 presented in this document in some cases may differ from the data published in the 2017 Non-Financial Disclosure in consideration of appropriate recalculations, in particular where more updated data were made available after the publication of the document.

As for the calculation criteria:

- conservative estimates were used where environmental data is not available;
- data on electricity from renewable sources include self-produced energy from renewable sources, if any, and the purchased energy from the network and certified as coming from renewable sources according to the instruments envisaged by the different regulatory frameworks;
- emissions have been calculated in terms of CO<sub>2</sub> equivalent through the following emission factors:
  - **Direct emissions scope 1:** the emission factors retrieved from the UK Department for Environment, Food & Rural Affairs (Defra) database were used for heating, emissions related to refrigerant gas of conditioning systems and car fleet for 2016, 2017 and 2018.
  - **Indirect energy emissions scope 2:** for the purchased electricity from the national grid, the emission factors (processed by Terna - "Terna international comparisons on Enerdata figures – 2016 data") related to the different Countries in which Amplifon operates were used for the Location-based approach. As far as the Market-based approach is concerned, the Residual Mix factors published by the Association of Issuing Bodies in 2017 were used for European Countries, while the factors published by the Center for Resource Solutions ("2016 Green-e Energy Residual Mix Emissions Rates" and the relative update for 2017 and 2018) were used for the USA and Canada. For those Countries whose Residual Mix factors were not publicly available from accredited sources at the time of drafting of the document, the same emission factors applied for the Location-based approach were used. Finally, the emission factor processed by Defra for natural gas production was used for calculating emissions related to district heating.
  - **Indirect emissions scope 3:** emission factors in the Defra 2016, 2017 and 2018 databases were used for emissions connected with business travel by plane, train and car.
- the legislative framework of reference for each Country has been taken into consideration for the calculation of the total weight of hazardous waste. Non-hazardous waste is typically waste deriving from office activities performed at headquarters;
- the health and safety rates refer to employees only and have been calculated in accordance with the provisions of the GRI Standards, using a multiplier of 1,000,000.

Amplifon S.p.A. Registered Head Office is in Milan at 133, Via Ripamonti.

For further information about this document, please contact:

**Amplifon S.p.A.**

Via Ripamonti, 133  
20141 Milano - Italia  
e-mail: [ir@amplifon.com](mailto:ir@amplifon.com)



# GRI Content index

## GRI 102: General Disclosures

### Organizational profile

Disclosure	Disclosure description	Reference	Omissions
102-1	Name of the organization	p.93	
102-2	Activities, brands, products and services	p.26-32, 40-44	
102-3	Location of headquarters	p.93	
102-4	Location of operations	p.29-30	
102-5	Ownership and legal form	p.93; p.5 of Report on Corporate Governance and Ownership	
102-6	Markets served	p.29-30	
102-7	Scale of organization	p.14-15, 29-30	
102-8	Information on employees and other workers	p.54-55	
102-9	Supply chain	p.31-32	
102-10	Significant changes to the organization and its supply chain	p.90	
102-11	Precautionary Principle or approach	p.85	
102-12	External initiatives	Amplifon is a member of Valore D.	
102-13	Membership of associations	Amplifon is engaged in several national industry associations, such as HIA (Hearing Industry Association) in the USA, HCIA (Hearing Care Industry Association) in Australia and NHCA (National Hearing Conservation Association) and SYNEA (Syndicat National des Entreprises de l'Audition) in Europe.	

### Strategy

Disclosure	Disclosure description	Reference	Omissions
102-14	Statement from senior decision-maker	p.4-5	

### Ethics and integrity

Disclosure	Disclosure description	Reference	Omissions
102-16	Values, principles, standards and norms of behavior	p.24,28,36	

## Governance

Disclosure	Disclosure description	Reference	Omissions
102-18	Governance structure	p.34-36	

## Stakeholder engagement

Disclosure	Disclosure description	Reference	Omissions
102-40	List of stakeholder groups	p.9-13	
102-41	Collective bargaining agreements	p.57	
102-42	Identifying and selecting stakeholders	p.9-13	
102-43	Approach to stakeholder engagement	p.9-13, 68-77, 86-87	
102-44	Key topics and concerns raised	p.9-13,15-18	

## Reporting practice

Disclosure	Disclosure description	Reference	Omissions
102-45	Entities included in the consolidated financial statements	p.90	
102-46	Defining report content and topic Boundaries	p.15-18,90-93	
102-47	List of material topics	p.15-18	
102-48	Restatement of information	p.90-93	
102-49	Changes in reporting	p.90-93	
102-50	Reporting period	p.90	
102-51	Date of most recent report	p.90	
102-52	Reporting cycle	p.90	
102-53	Contact point for questions regarding the report	p.93	
102-54	Claims of reporting in accordance with the GRI Standards	p.90	
102-55	GRI Content Index	p.94-102	
102-56	External assurance	p.103	

## GRI 200: Economic disclosures

### Economic Performance

Disclosure	Disclosure description	Reference	Omissions
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	p.14-15, 91	
103-2	Management approach and its components	p.14-15	
103-3	Evaluation of the management approach	p.14-15	
<b>GRI 201: Economic Performance 2016</b>			
201-1	Direct economic value generated and distributed	p.14-15	
201-4	Financial assistance received from government	p.14-15	

### Anti-corruption

Disclosure	Disclosure description	Reference	Omissions
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	p.83-84, 91	
103-2	Management approach and its components	p.83-84	
103-3	Evaluation of the management approach	p.83-84	
<b>GRI 205: Anti-corruption 2016</b>			
205-3	Confirmed incidents of corruption and action taken	p.83-84	

### Anti-competitive Behavior

Disclosure	Disclosure description	Reference	Omissions
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	p.85-87, 91	
103-2	Management approach and its components	p.85-87	
103-3	Evaluation of the management approach	p.85-87	
<b>GRI 206: Anti-competitive Behavior 2016</b>			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	p.85-87	

## GRI 300: Environmental disclosures

### Energy

Disclosure	Disclosure description	Reference	Omissions
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	p.87-89, 91	
103-2	Management approach and its components	p.87-89	
103-3	Evaluation of the management approach	p.87-89	
<b>GRI 302: Energy 2016</b>			
302-1	Energy consumption within the organization	p.87-89	

### Effluents and Waste

Disclosure	Disclosure description	Reference	Omissions
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	p. 87-89, 91	
103-2	Management approach and its components	p.87-89	
103-3	Evaluation of the management approach	p.87-89	
<b>GRI 306: Effluents and Waste 2016</b>			
306-2	Waste by type and disposal method	p.89	

### Environmental Compliance

Disclosure	Disclosure description	Reference	Omissions
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	p.85-87, 91	
103-2	Management approach and its components	p.85-87	
103-3	Evaluation of the management approach	p.85-87	
<b>GRI 307: Environmental Compliance 2016</b>			
307-1	Non-compliance with environmental laws and regulations	No significant fines or non-monetary sanctions for non-compliance with environmental laws and regulations have been reported in the three-year period 2016-2018.	

## GRI 400: Social disclosures

### Employment

Disclosure	Disclosure description	Reference	Omissions
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	p.57-59, 91	
103-2	Management approach and its components	p.57-59	
103-3	Evaluation of the management approach	p.57-59	
<b>GRI 401: Employment 2016</b>			
401-1	New employee hires and employee turnover		Following the definition and application of the new Group Strategy, turnover has acquired a connotation of sensitive information.
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	p.59	

### Occupational Health and Safety

Disclosure	Disclosure description	Reference	Omissions
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	p.64-65, 91	
103-2	Management approach and its components	p.64-65	
103-3	Evaluation of the management approach	p.64-65	
<b>GRI 403: Management Approach 2018</b>			
403-1	Occupational health and safety management system	p.64-65	
403-2	Hazard identification, risk assessment, and incident investigation	p.64-65	
403-3	Occupational health services		Given the limited extent of the risks to which Amplifon's employees are exposed in terms of health and safety, the Company does not consider this Disclosure to be applicable. These aspects are in fact managed in compliance with the provisions of the local legislative framework.
403-4	Worker participation, consultation, and communication on occupational health and safety		Given the limited extent of the risks to which Amplifon's employees are exposed in the in terms of health and safety, the Company does not consider this Disclosure to be applicable. These aspects are in fact managed in compliance with the provisions of the local legislative framework.



403-5	Worker training on occupational health and safety	p.64-65	
403-6	Promotion of worker health	p.64-65	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		Given the limited extent of the impacts in terms of health and safety linked to Amplifon's business relationships, the Company does not consider this Disclosure to be applicable.
<b>GRI 403: Occupational Health and Safety 2018</b>			
403-9	Work-related injuries	p.64-65	Information about workforce not on payroll is not available.
403-10	Work-related ill health	p.64-65	Information about workforce not on payroll is not available.

## Training and Education

Disclosure	Disclosure description	Reference	Omissions
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	p.52-53, 60-64, 91	
103-2	Management approach and its components	p.52-53, 60-64	
103-3	Evaluation of the management approach	p.52-53, 60-64	
<b>GRI 404: Training and Education 2016</b>			
404-1	Average hours of training per year per employee	p.60	To date, the Company is not able to record training hours by gender per employee category in some Countries, but the new management systems being implemented will allow to obtain this data for the whole Group in the future.
404-2	Programs for updating employee skills and transition assistance programs	p.52-53, 60-64	
404-3	Percentage of employees receiving regular performance and career development reviews	p.62-63	

## Public Policy

Disclosure	Disclosure description	Reference	Omissions
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	p.83-84, 91	
103-2	Management approach and its components	p.83-84	
103-3	Evaluation of the management approach	p.83-84	
<b>GRI 415: Public Policy 2016</b>			
415-1	Political contributions	In the three-year period 2016-2018 Amplifon did not give any kind of contribution to politicians or parties.	

## Customer Health and Safety

Disclosure	Disclosure description	Reference	Omissions
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	p.46-47, 91	
103-2	Management approach and its components	p.46-47	
103-3	Evaluation of the management approach	p.46-47	
<b>GRI 416: Customer Health and Safety 2016</b>			
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	p.46-47	

## Marketing and Labeling

Disclosure	Disclosure description	Reference	Omissions
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	p.46-47, 80-82, 91	
103-2	Management approach and its components	p.46-47, 80-82	
103-3	Evaluation of the management approach	p.46-47, 80-82	
<b>GRI 417: Marketing and Labeling 2016</b>			
417-1	Requirements for products and service information and labeling	p.80-82	
417-2	Incidents of non-compliance concerning product and service information and labeling	p.80-87	
417-3	Incidents of non-compliance concerning marketing communications	p.80-87	

## Customer Privacy

Disclosure	Disclosure description	Reference	Omissions
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	p.47-48, 91	
103-2	Management approach and its components	p.47-48	
103-3	Evaluation of the management approach	p.47-48	
<b>GRI 418: Customer Privacy 2016</b>			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	p.47-48	

## Socioeconomic Compliance

Disclosure	Disclosure description	Reference	Omissions
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	p.86-87, 91	
103-2	Management approach and its components	p.86-87	
103-3	Evaluation of the management approach	p.86-87	
<b>GRI 419: Socioeconomic Compliance 2016</b>			
419-1	Non-compliance with laws and regulations in the social and economic area	p.86-87	

# Amplifon material topics not covered by GRI Standards

## Awareness and Education

Disclosure	Disclosure description	Reference	Omissions
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	p.68-77	
103-2	Management approach and its components	p.68-77	
103-3	Evaluation of the management approach	p.68-77	

## Product and service innovation, quality and customization

Disclosure	Disclosure description	Reference	Omissions
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	p.40-48	
103-2	Management approach and its components	p.40-48	
103-3	Evaluation of the management approach	p.40-48	

**Product and service availability**

Disclosure	Disclosure description	Reference	Omissions
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	p.45	
103-2	Management approach and its components	p.45	
103-3	Evaluation of the management approach	p.45	



**AMPLIFON SPA**

**INDEPENDENT AUDITOR'S REPORT ON THE  
CONSOLIDATED NON FINANCIAL STATEMENT  
PURSUANT TO ARTICLE 3, PARAGRAPH 10, OF  
LEGISLATIVE DECREE NO. 254/2016 AND ARTICLE 5  
OF CONSOB REGULATION NO. 20267 OF JANUARY 2018**

**YEAR ENDED 31 DECEMBER 2018**





## ***Independent auditor's report on the consolidated non-financial statement***

*pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267 of January 2018*

To the Board of Directors of Amplifon SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have performed a limited assurance engagement on the consolidated non-financial statement of Amplifon SpA and its subsidiaries (hereafter the "Group") for the year ended 31 December 2018 prepared in accordance with article 4 of the Decree and approved by the Board of Directors on 5 March 2019 (hereafter the "NFS").

### ***Responsibility of Management and those charged with Governance for the NFS***

Directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and with the "GRI-Sustainability Reporting Standards" defined in 2016, hereafter the "GRI Standards", identified as the reporting standards.

Directors are responsible, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

#### ***PricewaterhouseCoopers SpA***

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 032285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

[www.pwc.com/it](http://www.pwc.com/it)



### **Auditor's Independence and Quality Control**

We are independent in accordance with the principles of ethics and independence set out in the *Code of Ethics for Professional Accountants* published by the *International Ethics Standards Board for Accountants*, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts *International Standard on Quality Control 1 (ISQC Italy 1)* and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

### **Auditor's responsibilities**

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards. We conducted our engagement in accordance with "*International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereafter "ISAE 3000 Revised"), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised ("*reasonable assurance engagement*") and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily with company personnel responsible for the preparation of the information presented in the NFS, analysis of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and the with the reporting standards adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. comparison of the financial information reported in the NFS with those reported in Amplifon Group's Consolidated Financial Statements;
4. understanding of the following matters:
  - business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;
  - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
  - main risks, generated and/or faced by the Group, with reference to the matters specified in article 3 of the Decree.

With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;



5. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS. In particular, we held meetings and interviews with the management of Amplifon SpA and with the personnel of Amplifon Deutschland GmbH, Amplifon Belgium NV, Amplifon Poland Sp.z o.o. and Amplifon UK Ltd and we performed limited analysis of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at holding level
  - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
  - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
- for the following companies, Amplifon Deutschland GmbH, Amplifon Belgium NV, Amplifon Poland Sp.z o.o. and Amplifon UK Ltd, which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location, we carried out site visits during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

### **Conclusions**

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Amplifon Group as of 31 December 2018 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.

Milan, 15 March 2019

PricewaterhouseCoopers SpA

*Signed by*

Massimo Rota  
(Partner)

*Signed by*

Paolo Bersani  
(Authorised Signatory)

*This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the NFS 2018 translation.*



Concept & Design: SERVIF/LAB  
Print: SERVIF





